# NOTE

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# Industrial Distribution

November 1983

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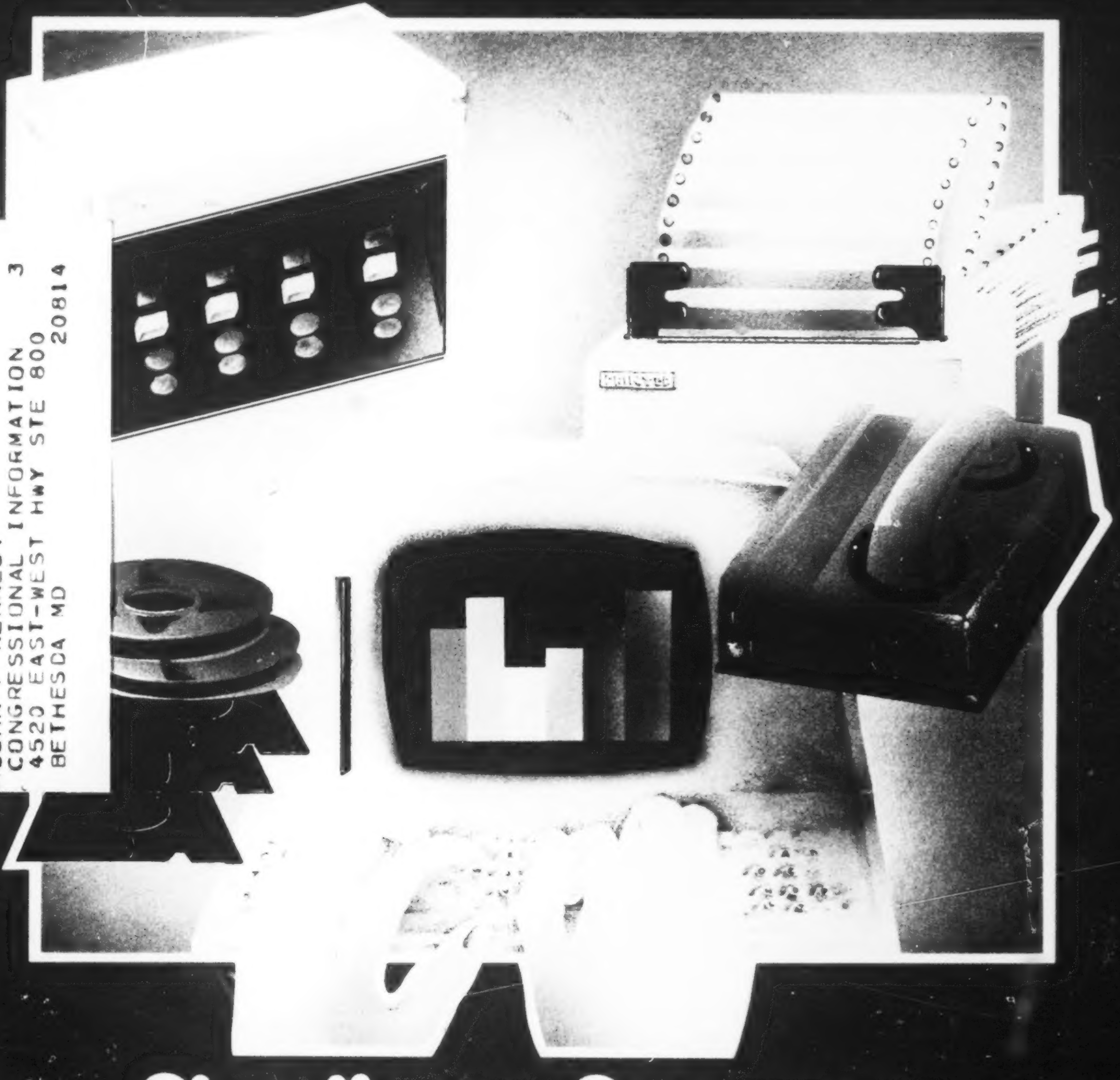
Hotline:
Distributors face quandry over inventory levels



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# Distributor Computer Showcase: 1983

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# INDUSTRY NEWS...

## Indicators . . . .

The recovery seems to still be with us, although some slowing may be the cause of some of the negative indications recently observed. The *NIDA-SIDA Industrial Distribution Index* rose for the second consecutive month as it moved from July's 112.2 to August's level of 121.0. All regions showed gains, with the West registering the largest gain, 14.1 points, moving from 142.3 to 156.4. The *NIDA-SIDA Industrial Supply Inflation Index* fell from 155.3 in July to 155.1, or 0.7% . . . According to the *SIDA Monthly Sales Trend Report,* sales showed a decline of 7.02 points for July over the previous month. July had sales 5.22 points above July, 1982 and year-to-date figures have this year 10.88 points behind last year . . . The *ASMMA New Order Index* was up to 103.1 for July, an increase of 2.7 points, or 2.7%, from the previous month . . . Net new orders for U.S. machine tools declined 22% in August when compared to July, reports the National Machine Tool Builders Assn. Much of this decline may be attributed to normal summer vacation doldrums. Year-to-date orders for the first eight months were down 5.2% and shipments were off 56% from 1982 . . . U.S. consumer confidence continues to hold at high levels, reports The Conference Board, as its *Consumer Confidence Index* held steady at 84.2 in August. However, the *Buying Plans Index* dipped from 100.5 to 89.3 . . . The *Welding Supply Index,* compiled by the National Welding Supply Assn., dropped 13.3% in July to 131.9, compared to June's level of 152.2, which had been the highest reading this year. This was the largest one-month decline of the index since April, 1982 . . . The *Hardware Sales Index,* compiled by the National Wholesale Hardware Assn., stood at 106.3 for July, up 1.9 points from the previous month's 104.4 . . . The Copper & Brass Servicenter Assn. reports that July shipments of copper and brass mill products are substantially ahead of those recorded a year ago. The *CBSA Index* was at 89.9 for July, as compared to last year's reading of 65.8.

## Computer controllers can expect early 22% annual increase

NEW YORK—The American market for programmable controllers will increase by an annual rate of 22% over the next four years and pass the $1 billion mark in 1987, according to a Frost & Sullivan study. The growth will actually be a slowdown from that of the previous five years, when the market increased at an annual rate of 44% from $60 million in 1977 to $370 million in 1982.

Programmable controllers are computerized devices used to handle basic industrial control functions such as starting or stopping an automated process, counting,

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**50% more reach**

**than any other 3-ton portable ratchet-lever hoist!**

**(ANOTHER LUG-ALL EXCLUSIVE)**

This winch-hoist stores 15 foot of cable right on the drum for 50% more reach (7½ ft) than comparable chain hoists. Another LUG-ALL exclusive, the telescopic handle, with shear pin warning . . . adds extra safety and convenience. Also available in corrosion-resistant marine grade.

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# REGIONAL REPORT

## August sales continue gains

For the third straight month, sales have increased over the previous month as well as over the corresponding period in 1982. Because these increases are spread over the entire list of regions, with only a few areas remaining exceptions, all indications are that the long awaited turnaround in industrial distribution is indeed with us.

An increase in sales in August '83 of 14% over August '82, extends the gains of 5% in June and 10% in July over the 1982 figures, and puts together the first meaningful consecutive string in increases for 1983.

Correspondingly, the month-to-month figures show August '83 against July '83 up nationally 16%, with most of the regions reporting increases in double digits.

For the first eight months of 1983, measured against 1982, the smallest drop of the year is indicated in the -2% figure. As late as June, this figure stood at −9%. Indications are that the recovery will bring most of the regions into the plus column here by the end of year, overcoming the losses.

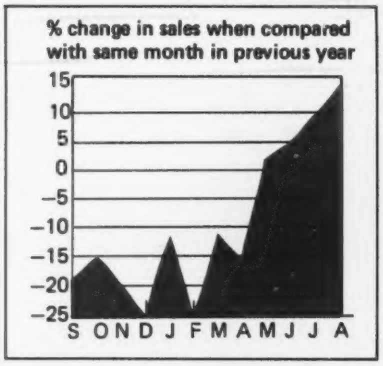
The weakest region reporting is the West North Central with minus signs scattered through the categories, and only weak increases evident in the plus statistics. The strongest area reporting is the East South Central.

Receivables have also improved with the August report, with most regions dropping into the upper thirty category. Just two months ago, the average for specialists was at 43, while generalists stayed at the 40-day mark. □

**RECEIVABLES***

| | August '83 | | August '82 | |
|---|---|---|---|---|
| | Gen. | Spec. | Gen. | Spec. |
| **New England** | 38 | 42 | 41 | 42 |
| **Middle Atlantic** | 44 | 47 | 44 | 47 |
| **South Atlantic** | 35 | 36 | 36 | 41 |
| **East North Central** | 39 | 35 | 39 | 38 |
| **East South Central** | 43 | — | 34 | — |
| **West North Central** | 38 | 35 | 33 | 39 |
| **West South Central** | — | — | — | — |
| **Mountain** | — | — | — | — |
| **Pacific** | 45 | 40 | 41 | 41 |
| **National** | 40 | 39 | 38 | 41 |

*Average days outstanding


**% change in sales when compared with same month in previous year**

**August sales continue uptrend . . .**

| SALES BY REGIONS (% change) | Aug. '83 vs July '83 | | | Aug. '83 vs Aug. '82 | | | 1st 8 mos. '83 vs 1st 8 mos. '82 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gen. | Spec. | Both | Gen. | Spec. | Both | Gen. | Spec. | Both |
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | +28 | +17 | +22 | +17 | +15 | +16 | −4 | −2 | −3 |
| Connecticut | — | — | — | +30 | — | — | −8 | — | — |
| Massachusetts | +9 | — | — | +4 | — | — | −2 | — | — |
| **MIDDLE ATLANTIC:** NY, NJ, PA | +14 | +16 | +15 | +7 | +3 | +4 | −11 | −10 | −10 |
| New York Metropolitan Area | — | — | — | — | — | — | — | — | — |
| Upstate New York | +7 | +25 | +17 | +21 | +17 | +19 | −5 | −9 | −7 |
| Pennsylvania | +12 | +19 | +16 | +6 | +10 | +9 | −9 | −1 | −4 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, SC, VA, WV | +21 | +33 | +29 | +15 | +20 | +18 | −6 | +9 | +4 |
| Georgia-Florida | — | +28 | — | — | +21 | — | — | +9 | — |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | +21 | +33 | +25 | +22 | +17 | +20 | +2 | −1 | +1 |
| Indiana | | | | | | | | | |
| Wisconsin | +4 | +36 | +23 | −2 | +30 | +17 | −6 | +2 | −1 |
| Chicago | — | — | — | — | — | — | — | — | — |
| Michigan | +20 | — | — | +17 | — | — | −2 | — | — |
| Ohio | +24 | — | — | +30 | — | — | +9 | — | — |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | +30 | +5 | +20 | +25 | +45 | +32 | −1 | +4 | +1 |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | −7 | +11 | +5 | 0 | −6 | −4 | +12 | −14 | −13 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | +17 | — | — | — | — | — | — | — | — |
| Texas | — | — | — | — | — | — | — | — | — |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | +28 | — | — | — | — | — | — | — | — |
| **PACIFIC:** CA, OR, WA | +4 | +11 | +8 | −8 | +22 | +7 | −13 | +7 | −4 |
| L.A.-San Diego | — | — | — | — | — | — | — | — | — |
| Oregon-Washington | −6 | +11 | +3 | −12 | +17 | +3 | −15 | +3 | −6 |
| **U.S. TOTALS** | +10 | +21 | +16 | +16 | +13 | +14 | −3 | −1 | −2 |

## State of the industry . . .

# Specialty tools and fasteners

**A nationwide survey of Specialty Tools & Fasteners Distributors Assn. members indicates that with the exception of the northwest and eastern steelmaking region, business is up and the recovery is taking hold.**

Conscious of the 831 member Specialty Tools & Fasteners Distributors Assn. annual meeting taking place this month in Maui, HA, ***ID*** determined to contact a number of STAFDA members in order to get some feeling for the present state of demand for their products along with an outlook for 1984.

What with recent increases in commercial construction projects, housing starts reaching their highest level in 4½ years in August, and GNP growth estimated at 7% for the year, most specialty tools and fasteners distributors contacted said that they have been experiencing varying degrees of business growth.

Distributors from the Midwest and Pacific regions report that they are beginning to experience a slow comeback from the recession. Northwest markets are still very poor despite some improvement. The Southwest is holding its own, and, for the most part, the Eastern part of the U.S. never even felt a recession.

### New England

"Last year was not a bad year," relates Roland Levesque, president, Universal Fasteners & Supply, Inc., Cumberland, RI, "but this year is better. We did not seem to feel any recession, not in the New England area."

Concurring is Jerry Penn, president, Boston Cartridge Tool Co., Newton, MA: "Demand in the New England area is very high right now because there is a lot of construction work going on here. We have been busy right along with the recession, but sales have been improving and getting even better recently."

Penn expects his company's business, which basically aims at the construction industry in the Boston area, to show a 15% increase this year when compared to 1982.

He also foresees a substantial increase in business for next year. "We see a very good outlook for commercial and industrial construction in the Boston area over the next five years," he explains.

With a marketing area that encompasses Rhode Island and parts of Connecticut and Massachusetts, Levesque projects that next year will be "as good as, if not better than," this year.

### Middle Atlantic

Save for parts of Pennsylvania, the Middle Atlantic region seems to have avoided the recession and business continues to look strong.

Serving Long Island, NY, and showing 20% higher sales than last year is N.T.S. Supply Corp., Franklin Square, NY. "Fasteners are in pretty good demand in our area, things are rosy and every month it gets better," says company president Edward Ufier, Sr. "We did not have any recession here," he adds.

Although his company did not experience a down period, says John N. Philipps, vice president, Philipps Brothers Supply, Inc., Buffalo, both demand and consumer confidence are up and things seem to be turning around in the western New York area. The construction sector of the market seems to be healthy but steel plant closings coupled with the relocation of several of the area's major industrial facilities have weakened the industrial segment of the market.

Any recovery in the Pittsburgh area is lagging the rest of the nation by about six months and no upturn is expected over the immediate future, according to Paul Connelly, president, Construction Tool Service Inc., Pittsburgh. With sales running about 3% behind last year, recent expansion of the city's downtown area was one of the few bright sales spots seen by the president.

"I see no upswing coming right now," Connelly says. "At best, things may turn up very slowly and gradually; and sales may very well dip some more before they come up."

On the other hand, Philipps, calling himself the eternal optimist, predicts that business will be up next year. "We will be looking to maintain volume and make up for those projects that will be running out

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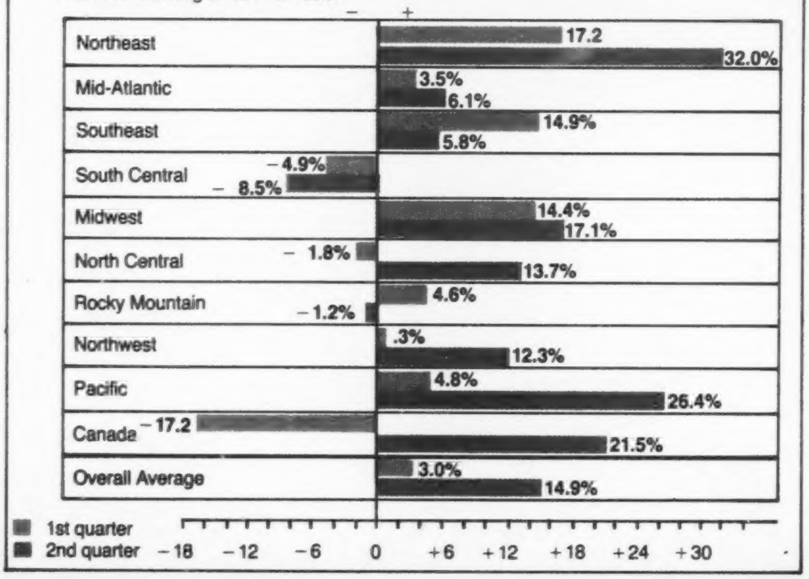
**Industry sales are trending upward**

STAFDA's year to year quarterly comparison trend report indicated a small overall sales rise for the first quarter followed by a sharp increase in sales during the second quarter, the best showing since mid-1980.



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through the course of the year."

Ufier is also optimistic about next year, he says, because of the increasing volume of construction of condominiums, docks and marinas in the Long Island area.

### Southeast

"Business could not be better; based upon sales, I did not even know there was a recession," says Marco Supply Co., Salem, VA, president David Jones. The company, with 95% of its sales going to contractors, serves portions of eight southern states (Alabama, Delaware, Georgia, Maryland, North Carolina, Tennessee, Virginia and West Virginia) and is experiencing a 30% sales growth over last year.

At Ensco Supply Co., Greensboro, NC, overall sales are up 14% from 1982, according to Randolph G. Ensign, president. However, demand is not terribly strong and the market is very competitive, resulting in very low pricing. Customers are doing more shopping around for low prices than "I have ever seen in any other recessionary time," he says. "I do not see this situation improving since customers have established the habit of buying at low prices."

For 1984, Ensign sees a gradual, slow upturn for his company's selling area, which encompasses segments of North Carolina and Virginia.

"I do not see any big growth during 1984," he says. "If we did have a big upturn next year we could not replenish our inventories fast enough to fill our needs."

Using a different perspective, Jones says that his company has achieved a 25-30% growth rate for each of its 14 years and 1984 should continue this trend.

### Midwest

Last year was a disaster but demand has started to improve over the past few months, notes William H. Boumann, vice president, Mutual Sales Corp., Chicago. He rates sales at approximately 10-12% ahead of last year and attributes this to increased building in the Chicago area. Large commercial and industrial building is going pretty strong right now, he says.

Further north, at L.W. Meyer & Son Inc., New Berlin, WI, Jack T. Jahntz, CEO, says that as of this past June some life started to slowly seep into the construction marketplace and product demand, although still low, is improving.

"The construction marketplace is showing more improvement than the industrial marketplace," says Jahntz. "For us, heavy equipment related bookings seem to be picking up." He expects his company to see

[continued on page 63]

## A look at construction

Most specialty tools and fasteners distributors specify construction markets as the primary, if not only, targets for their wares. Considering the importance of these markets, an overview of where they are heading is in order.

According to an impact research letter prepared by Arthur D. Little Inc.'s construction industry specialist Margaret F. McDonald, the recovery in the construction industry is building due to a number of factors that include lower interest rates, the availability of alternative mortgage plans for housing, increased emphasis on highway repair and infrastructure development, and greater demand for high-technology architectural and engineering services.

While housing starts are up, reaching their highest level in 4½ years this past August, new office construction has dropped 31% from a year ago because the office market is overbuilt, says a September survey issued by the Office Network, a Houston-based network of commercial real estate firms. The overall office vacancy rate in 20 cities surveyed is 13.2%, up slightly from the 13% reported this past June, and up sharply from the 7.5% rate of a year ago.

The tightest office space markets are New York City, with a 5.6% vacancy rate, Boston, with 6.1%, and Washington, D.C., with 6.4%. Those cities with the highest vacancy rates are Houston, with 26.9%, San Diego, with 25.3%, and Dallas, with 20.4%.

Expecting mortgage interest rates to decline in 1984, thereby helping both housing and non-residential construction markets somewhat, is Ann Feely, consultant, Arthur D. Little Inc. She anticipates that rates will bottom out at about 12%.

Feely also predicts a downturn for construction in 1985 resulting from 1984's probable inflation. In addition, she says, post election years are generally down because markets are normally artificially pumped up prior to an election. ☐

## Office vacancy rates

Office vacancy rates are an indication of where most and least of the money is being spent on tools and supplies used in internal commercial construction and renovation. The current office vacancy rate in the U.S. overall is 13.2%.

| City | Inside business district | Outside business district | Overall vacancy rate |
|---|---|---|---|
| New York | 6.2% | 4.6% | 5.6% |
| Boston | 1.6 | 11.5 | 6.1 |
| Washington | 9.0 | 4.7 | 6.4 |
| Cleveland | 5.7 | 9.5 | 6.8 |
| Baltimore | 2.3 | 12.0 | 7.3 |
| San Francisco | 5.7 | 10.2 | 8.3 |
| Pittsburgh | 8.9 | 10.1 | 9.2 |
| Philadelphia | 8.7 | 12.1 | 10.0 |
| New Orleans | 12.0 | 9.0 | 11.1 |
| Chicago | 12.1 | 11.7 | 12.0 |
| Hartford, Conn. | 9.3 | 15.7 | 12.5 |
| Miami | 15.0 | 11.6 | 12.5 |
| Los Angeles | 10.0 | 15.0 | 14.1 |
| Kansas City | 15.2 | 15.5 | 15.4 |
| Atlanta | 20.3 | 15.8 | 17.7 |
| Denver | 19.1 | 17.4 | 18.0 |
| Sacramento, Calif. | 18.2 | 18.8 | 18.6 |
| Dallas | 13.9 | 23.3 | 20.4 |
| San Diego | 24.5 | 25.8 | 25.3 |
| Houston | 14.3 | 31.2 | 26.9 |

**Source:** The Office Network, Houston

# State of the Industry . . .

[continued from page 61]

about an 18% improvement in sales this year as compared to 1982.

On the eastern side of Lake Michigan, says Frank Deppe, president, Fasteners Inc., Grand Rapids, MI, some of the tool and housing markets are up, but heavy general construction is down. Certain phases of his own business are up 15% over last year, he indicates, at least partly due to the company's increased pursuit of industrial marets.

The Ohio area is showing increased demand in the second half as compared to the first half, according to Robert V. Munson, president, Phillips Industrial Products Inc., Cleveland. However, he adds, "how much of this improvement in demand is normal fall improvement as opposed to actual improvement in the market remains to be seen."

In Phillips Industrial Products' marketing area, which includes northeastern and central Ohio, the Akron area seems to be the weakest while the Columbus area, due to a healthy amount of construction, seems to be the strongest. In general, there is an oversupply situation, keeping prices low, and this should last through the first quarter of 1984, Munson speculates.

"I look for a very good 1984 throughout our marketing area," says the executive. "We look forward to Cleveland being healthy for at least the next 18 months because of a significant amount of present construction. However, beyond these current projects, I am a little worried."

Munson is concerned because at the present time there are no new construction projects on the horizon that will replace those projects that will be running out around the third quarter of 1985.

Based upon information from general contractors in his area that many jobs are scheduled for completion in the near future, Deppe is apprehensive concerning the lack of replacement projects. Nevertheless, he is projecting a sales increase of 12-15% in 1984 over 1983 for his company.

Expecting 1984 to bring a 15% sales increase over 1983, Jahntz feels that any recovery will be stronger for construction rather than industrial markets.

Finally, Baumann expects a gradual, steady increase in business if there are no significant hikes in interest rates through 1984, but he warns that if interest rates rise too high, business would turn down again.

### Southwest

"Our market is very good. We have the World's Fair coming up and there is a bit of work presently going on in the New Orleans central business district," reports Frank Sibley, vice president, R.J. Marchand Co., Metairie, LA. The company, which sells to both commercial and home building contractors, is expecting this year's sales to top 1982 by 20-25%.

For next year, says Sibley, "We have still got the World's Fair, which is pretty good for us, and that work ends about mid-1984. I am not too sure about things after that. At that time, the markets may very well slow down."

Product demand in the Dallas and Midland, TX areas is good, says Joe R. Woods, president, Joe Woods Sales Co., Dallas, who reports that his company's sales for the fiscal year ending this past June 30 were "on an even keel" with the year previous.

Business is still pretty healthy in the Houston area, he continues, but that should start cooling down by next year due to the existence of excess office space. Woods does expect sales in the Dallas and Midland areas to remain at reasonable levels for 1984 and he expects his present fiscal year to show a 5-10% increase over the previous fiscal year.

### West

Calling Western Fasteners Inc.'s headquarter city, Denver, boom town U.S.A., Mark F. Salvato, vice president, says that his company, with seven branches spread through the states of Arizona, Colorado and Wyoming, is doing well compared to last year, and last year was a record year.

Concentrating on commercial construction markets, in addition to selling to home building and maintenance customers, Salvato explains that market strength is relative to geographic area. Wyoming is acceptable but not terribly strong; Arizona is fairly strong; and Colorado, especially southern Colorado, is very strong. Right now, says the vice president, Denver's home building business is showing a good deal of strength.

Looking towards 1984, Salvato believes that overall demand will remain good.

### Pacific

Looking first at the Los Angeles area, demand has been picking up for the past four or five months, according to Bud Hahn, president, M&W Electric, Torrance, CA, however, he points out that although sales are better now than they had been, recovery from the recession is not complete.

Continued recovery, Hahn says, will depend upon where interest rates go. And he is pessimistic about the ability of those attempting to control them to keep the rates down.

Says Robert T. Gogo, president, Hub Construction Specialties Inc., San Bernadino, CA, business in Riverside and San Bernadino counties was pretty good last year and "this year is up pretty good over last year. We are not complaining."

What about 1984? "Things look good for next year," Gogo says. "As of now, I do not see any downturns. There could be a flattening out for a while, but then business should turn up again."

Gogo prefers to see a gradual recovery rather than a boom. "That way, it is usually either boom or bust and I do not like the bust part. People get careless in a big boom."

The recovery is beginning to hit the San Francisco area, says Bob Peters, vice president, Bay Area Construction Supplies Inc., San Francisco. His company's customers, the concrete construction business, "has picked up tremendously over the last several months and this year looks good from now on," he says.

"Since many of our jobs are just getting started," Peters continues, "we expect business to keep picking up somewhat and for next year to be a continuation of how we are doing now."

### Northwest

Activity started increasing around the beginning of May, but demand has not yet returned to 1981 levels, says Patrick Thomas, vice president, Safway Supply Inc., Spokane. Business continues to be adversely affected by power plant shutdowns and, further cutting into sales, contractors are repairing worn tools rather than replacing them.

Although this year's sales are presently up about 32% over last year, Thomas looks for a downturn to hit this month and carry through to around next April. He feels that factories will be working at a relatively slow pace during this period and that, until April, there will not be much in the way of new orders released.

Any upturn experienced in the Northwest has been very minor, reports Bob Brady, general manager, Acme Tool & Specialty Co., Portland, OR. "This is a bad market, the economy is bad here in the Northwest," he says. "In total, the market has not changed substantially in the past year."

The company, which sells primarily to commercial and industrial construction markets, has experienced an upturn uncharacteristic of the general market. "There is no reason for this to have happened to our company rather than some other company as far as I know," says Brady.

With too much office space already available in the area and no expectations for any real business pick-up, Brady does not see any reason to be optimistic about the near future. "If next year is as good as this year, we will be tickled to death," he says.

**Y.D. Scholar**

# NOTE

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December 1983

Hotline:
Sales forecast held more crucial as distributors expand inventories

12/12/83
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# INDUSTRY NEWS

## Small distributors suffer as public companies gain market share

CHICAGO—Smaller industrial distributors are losing market share to larger, better capitalized distributors and this trend will continue unless the smaller firms find some way to raise capital, possibly by going public, said William F. Jelin, senior investment analyst, Bacon Stifel Nicolaus.

"It seems to me that some of the larger firms are growing more rapidly than some of the smaller firms," he said. "The $5 million companies have been losing market share to the larger companies like Bearings Inc., Lawson Products, or Premier Industrial. These companies have grown more rapidly, by a magnitude of maybe two or three times, than either industrial production in general or the *NIDA-SIDA Index*."

To compete with the larger firms, Jelin said, smaller industrial distributors need to raise capital in order to grow and add product lines, and one of the viable methods of raising capital is by going public.

Although there is no present trend towards publicly held industrial distributorships, he said, losses in market share are creating the kind of atmosphere that makes it worthwhile for distributors to go public.

Many of Jelin's conclusions are drawn from data compiled while researching a financial profile and survey of publicly owned industrial distributors and wholesalers recently published by Bacon Stifel Nicolaus, a securities investment banking firm involved in assisting companies attempting to go public.

"When companies become publicly owned," said Jelin, "they tend to become more growth oriented. Of course, I cannot say for sure that they were not that way prior to going public, but now there are certainly a wider variety of growth options."

A direction that many companies would like to grow in is systems selling, the analyst said. However, he stated that he could not really determine which firms actually had the capital or management depth necessary to carry out these programs.

"If the traditional NIDA-SIDA members are not going to go in this direction, it seems to me that some of the more well capitalized firms may buy selective distributors in order to add more layers of management talent," Jelin said. He noted that Columbia General, although it is having a problem finding a sufficient amount of capital, is an example of a company attempting to add product lines through selective acquisitions.

A problem that those industrial distributors wanting to go public may face, said Jelin, is that they may not have a good enough financial track record. "Whether a distributor group in general can attain enough market attention to go public is based upon how well the manufacturers they represent are doing and how they are perceived in the stock market," he said. "If a company in an area that is generally not in favor in the stock market wants to go public, it better have a five year performance record of at least 20% growth and 20% return on equity, or at least demonstrate the prospect of that kind of performance. Coming out of a recession like this, this can be a very tough thing for an industrial distributor."

Bacon Stifel Nicolaus' survey of industrial distributors and wholesalers is available for $50.00. Write to the firm at 135 South LaSalle St., Chicago, IL 60603. □

**Sales and Assets Profile**
(000's $ ommitted)

| Company | Net Sales<br>Latest Fiscl Yr. | Percent Change | Total Assets<br>Latest Fiscl Yr. | Percent Change |
|---|---|---|---|---|
| W. W. Grainger Inc. | 803228 | -7.4 | 520371 | 10.3 |
| Bearings Inc. | 369449 | 3.4 | 163170 | 6.5 |
| Premier Industrial | 332215 | 4.6 | 207016 | 23.3 |
| Noland Co. | 247091 | -6.7 | 102993 | 0.2 |
| Ducommun Inc. | 223488 | 18.0 | 157246 | 13.5 |
| Belknap Inc. | 165205 | -0.6 | 54206 | -5.3 |
| Familian Corp. | 148628 | -6.8 | 62511 | -3.5 |
| Lawson Products Inc. | 104504 | -4.5 | 68713 | 7.6 |
| Syracuse Supply | 93474 | -20.9 | 52837 | 7.0 |
| Sterling Pipe & Supply Co. | 58587 | -44.8 | 32238 | -22.2 |
| Eastco Industrial Safety Corp. | 12465 | 11.7 | 5395 | 9.0 |

Note: Percent change refers to percent increase or decrease from the preceding year.
Source: Bacon Stifel Nicolaus

## Durable goods are up as the economy shows unexpected strength

WASHINGTON—The 3.5% increase in nondefense durable goods new orders that occurred in August indicated that the economy is showing more strength than expected in spite of a three month backup in interest rates, according to Michael K. Evans, consulting economist to the American Production & Inventory control society.

While the July and early August numbers were quite lackluster, the economist said, the increase in housing starts, the upward revision of second quarter GNP, and the sharp decline in initial unemployment claims all support the increase in new orders.

"The major reason for this quick turnaround," Evans said, "was the reversal of interest rates in early August and the widespread belief that they would continue to decline for the remainder of the year. Generally, the economy responds with a three to six month lag to changes in interest rates. This time, though, the response was almost instantaneous. Evidently the May to August backup in rates was seen as a temporary aberration which would be remedied as soon as the economy slowed down, which is precisely what did happen."

### Inventory building

The manufacturing inventory/sales ratio had declined to a 33-year low in June, while stocks increased only marginally in July. Now, said Evans, the stockpiling of inventory can begin in earnest since the hesitancy felt by many businessmen has now been removed.

The economist provided the following economic scorecard for 1984: real GNP will rise almost 6%, while the rate of inflation will be under 4%; unemployment, while

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# INDUSTRY NEWS...

[continued from page 11]

borundum announcement, the executive said.

Norton's policy of selective distribution has not changed, Hamilton said. "Our field people simply selected the distributors to go after. We will continue with a policy of selective distribution although the Carborundum move results in there being a few more Norton distributors than before, he added."

Thus far, Norton has added 30 former Carborundum distributors, which is less than 5% of those available.

"I believe we have successfully implemented our strategy of selecting the few best distributors in any given trading area," Hamilton said. □

## Indicators . . .

All signs show that the economic recovery has taken hold and is continuing, despite the fact that last month's indicators showed some slowing. For the third month in a row the *NIDA-SIDA Industrial Distribution Index* registered an increase as it went from August's 121.0 to its September level of 121.6. The eastern and southern region showed gains, while the midwestern and western regions showed losses. The Midwest was down 1.4 points and the West declined 2.3 points. The *NIDA-SIDA Industrial Supply Inflation Index* dropped to 154.5, a 0.4% decrease from the previous month . . . The *SIDA Monthly Sales Trend Report* for August recorded a sales increase of 17.09 points over the previous month while showing sales to be 11.31 points ahead of August, 1982. Year-to-date figures have this year's sales 4.11 points behind last year . . . The *ASMMA New Order Index* rose 1.0 points to 104.1 in August, up 1.0% from July . . . Consumer confidence in the U.S. continues steady and strong, according to The Conference Board, as its *Consumer Confidence Index* registered 83.9 for September. The *Buying Plans Index* increased to 108.6, the highest figure reported this year . . . The National Welding Supply Assn.'s *Welding Supply Index* was up 17.9% in August to 155.5, compared to July's level of 131.9. The August advance is the largest one-month gain recorded and surpasses the high levels reached in March and June of this year . . . The National Wholesale Hardware Assn.'s *Hardware Sales Index* posted a slight increase in August to 106.7, putting it 6.1% ahead of August, 1982 . . . According to the Copper & Brass Servicenter Assn., distributors of copper and brass mill products attained their best shipment level for most products in three years during August. The *CBSA Index* reached 113.8, a 26.6% rise over the preceeding month . . . The *Purchasing Managers' Composite Index*, prepared by the National Assn. of Purchasing Management, registered 60.2% in September, down from 63.6% in August. The drop is attributed to seasonal adjustment factors and the reading is still regarded as strong.

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# REGIONAL REPORT

## September sales steady

After several months of increasing sales gains nationally, when compared to 1982, September figures, although still in the plus column, have leveled off.

Nationally, September '83 compared to September '82 is up 12%, or down slightly from the 14% recorded in August. However, in month-to-month comparisons, the country is down 1% compared to a whopping 16% increase in August. Although most regions are still in the plus column, a moderation of recent gains is evident.

In cumulative reporting, the first 9 months of 1983 measured against the first 9 months of 1982, now stands at 0 or even indicating that the poor showing of the first three months of '83 has been overcome by the rapid gains of the following 6 months.

In regional reporting, the West North Central and the Middle Atlantic show plus figures for both month-to-month and yearly comparisons. The East North Central is especially strong in the latter category.

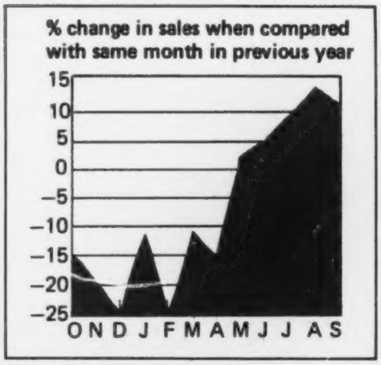
In areas, Georgia-Florida continues to show good gains in the year-to-year category, as does Oregon-Washington.

There is no "poor" region in the reports gathered for this month, although the Pacific is mixed. In area reports, Wisconsin is mixed, with strong positive figures in year-to-year comparisons, and significant negative figures in month-to-month comparisons.

Not enough reports were received from the New England regions and areas to make valid statistical comparisons. □

| **RECEIVABLES*** | Sept. '83 Gen. | Sept. '83 Spec. | Sept. '82 Gen. | Sept. '82 Spec. |
|---|---|---|---|---|
| **New England** | 42 | — | 41 | — |
| **Middle Atlantic** | 42 | 45 | 43 | 42 |
| **South Atlantic** | 36 | 35 | 34 | 34 |
| **East North Central** | 39 | 43 | 38 | 55 |
| **East South Central** | — | — | — | — |
| **West North Central** | 39 | 38 | 37 | 41 |
| **West South Central** | — | — | — | — |
| **Mountain** | — | — | — | — |
| **Pacific** | 40 | 45 | 37 | 43 |
| **National** | 41 | 41 | 36 | 43 |

*Average days outstanding


**% change in sales when compared with same month in previous year**

**Sales level off in September . . .**

| SALES BY REGIONS (% change) | Sept. '83 vs Aug. '83 | | | Sept. '83 vs Sept. '82 | | | 1st 9 mos. '83 vs 1st 9 mos. '82 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gen. | Spec. | Both | Gen. | Spec. | Both | Gen. | Spec. | Both |
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | −8 | — | — | −7 | — | — | −5 | — | — |
| Connecticut | −13 | — | — | −12 | — | — | −8 | — | — |
| Massachusetts | −8 | — | — | −7 | — | — | −7 | — | — |
| **MIDDLE ATLANTIC:** NY, NJ, PA | +8 | +1 | +4 | +5 | +3 | +4 | −11 | −9 | −10 |
| New York Metropolitan Area | — | — | — | — | — | — | — | — | — |
| Upstate New York | +2 | −2 | 0 | +21 | +20 | +21 | −4 | −7 | −5 |
| Pennsylvania | +19 | −4 | +7 | +3 | +8 | +5 | −15 | +1 | −8 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, SC, VA, WV | +3 | −9 | −3 | +11 | +19 | +14 | 0 | +9 | +4 |
| Georgia-Florida | +13 | −4 | 0 | +19 | +20 | +19 | −2 | +8 | +6 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | −6 | +1 | −2 | +20 | +37 | +28 | +7 | +5 | +6 |
| Indiana | — | — | — | — | −3 | — | — | +32 | — |
| Wisconsin | −14 | −7 | −8 | +7 | +30 | +25 | −1 | +5 | +4 |
| Chicago | — | — | — | — | — | — | — | — | — |
| Michigan | −1 | +15 | +3 | −23 | +34 | +26 | +7 | −3 | −4 |
| Ohio | +2 | — | — | +24 | — | — | +11 | — | — |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | −6 | — | — | +14 | — | — | +1 | — | — |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | +20 | +4 | +6 | +14 | +15 | +15 | −17 | −5 | −7 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | — | −12 | — | — | −10 | — | — | +1 | — |
| Texas | — | −12 | — | — | −10 | — | — | +1 | — |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | −13 | — | — | +32 | — | — | +11 | — | — |
| **PACIFIC:** CA, OR, WA | 0 | +2 | +1 | −3 | +20 | +6 | −8 | +4 | −3 |
| L.A.-San Diego | — | — | — | — | — | — | — | — | — |
| Oregon-Washington | +6 | −9 | +1 | +13 | +18 | +15 | −9 | +2 | −6 |
| **U.S. TOTALS** | −1 | −2 | −1 | +8 | +16 | +12 | −1 | +1 | 0 |

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# Industrial Distribution

January 1984

**Hotline:**
**Labeling regulation poses problems for distributors**

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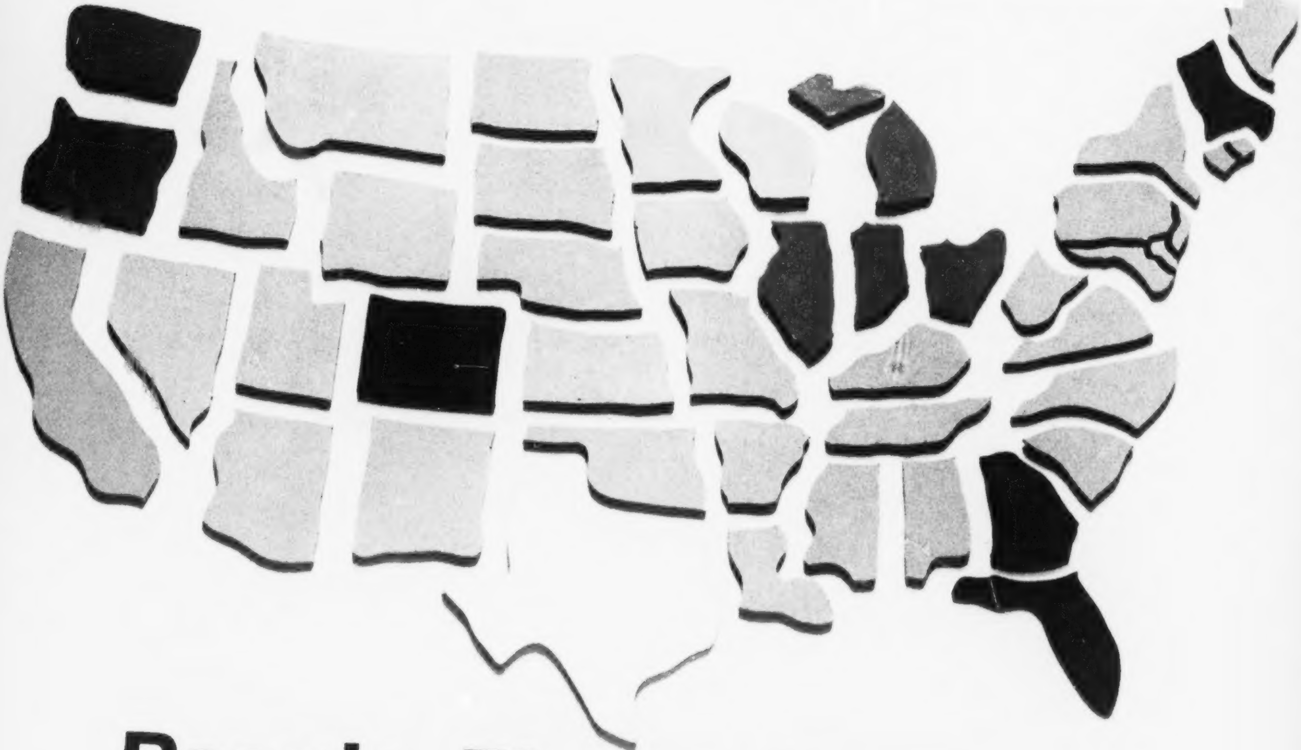

# People, Places, Markets

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- **Preview: SIDA Annual Convention**
- **Product Showcase Review: Power Tools**

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**CUTTING TOOL SHOWCASE**
(PULL-OUT SECTION)

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# INDUSTRY NEWS

## UniSource West merges with Bosler Supply creating a nine unit distributor chain

CHICAGO—Bosler Supply Co. has formed a joint venture with the part of Columbia General Corp.'s subsidiary Systems UniSource called UniSource West. The new company, called The Bosler Group and headed by Jordan Hecktman, unites nine industrial distribution companies in Wisconsin and Illinois. Five units of Systems UniSource have combined with Bosler Supply and its subsidiaries to form the group, stated Hecktman, Bosler Supply's president, at a recent luncheon of supplier representatives.

The Bosler Group represents approximately $50 million in annual sales, carries about 80,000 line items and has a total inventory valued at over $10 million. It is a partnership equally owned by Systems UniSource and Bosler Supply and will be managed primarily by Bosler Supply personnel.

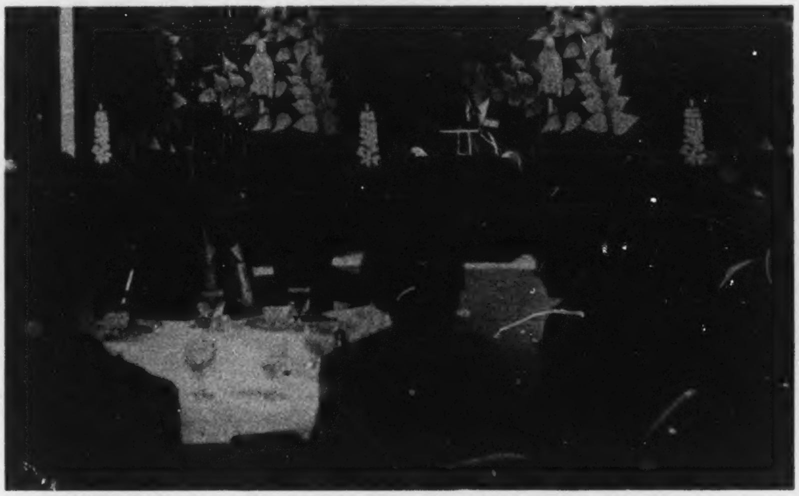
The Systems UniSource units involved in the venture had been the company's western division. Systems UniSource will continue to run its UniSource East companies, stated company president Earl F. Hauserman.

The systems UniSource companies participating in the venture are Harris & Lee Industrial Supply Inc., with locations in Chicago, Rockford and Waukegan, IL; Tools & Abrasives Inc., with locations in Milwaukee and Oshkosh, WI; Couch & Heyle Inc., Peoria; Jacobson & Daw, Peoria, and Twin States Industrial Supply, Moline, IL. The other participants in the venture are Bosler Supply Co., Chicago, and its subsidiaries Industrial Supply Co. and Industrial Service Center, North Aurora, IL and Tools For Industry Inc., Milwaukee.

### An equal partnership

Explaining that this venture is not a divestiture on the part of Columbia General, company president Edward O. Boshell Jr. told the group that no side was selling out to the other. "What we have done is taken the operating assets of a group of companies owned by Columbia General's Systems UniSource and put them together with the operating assets of Bosler Supply's companies forming an equally owned joint venture."

Boshell stated that the financial strength of the combined companies should allow The Bosler Group to move from its current $50 million annual sales level to $100 million in annual sales without any additional outside financing. The newly formed company will eventually be looking to expand into other locations, he said.



**75 supplier reps** were introduced to newly formed marketing group by Jordan Hecktman (podium), includes A. Baron, S. Bulmash and Jeffrey Hecktman.

Calling the joint venture "what we think will be the most exciting marketing venture of the decade," Hecktman said that the newly combined entity, The Bosler Group, "essentially doubles our capacity and our warehouses. Our market penetration, our sales expertise and our in-house computer technology have yet to be seen in our marketplace."

When asked if The Bosler Group would continue to handle all of the product lines carried by its various companies, Hecktman responded that there were minimal conflicts within supplier lines.

"I will honor the integrity and commitments of all of the existing groups, their specialized lines and their distribution packages," he said. "It is my intent, and the intent of our management group, to honor the individual commitments where they exist and not upset long standing business relationships."

[continued on page 9]

## Expected growth for the industrial robots market to exceed 20% a year

NEW YORK—The United States industrial robots market is expected to exceed 20% a year real growth before leveling off at the end of the decade, pushing the market to $900 million by 1992, according to a Frost & Sullivan report entitled "Industrial Robot Markets in the U.S."

The growing robot market will benefit those industrial distributors carrying component parts used in the construction of robots since many robot makers purchase parts from distributors (ID: June, 1983).

Increasing technical capabilities will lead to wider robot usage in areas such as arc welding, deburring and assembly, and the expansion will come on a market base of $500 million in 1982, the report says.

Of the 50,000 robots of all types in service in the U.S. today, 80% are pick-and-place manipulators and this percentage will decline as more capable industrial equipment takes over, the study noted. By 1992 this market segment will not exist.

Intelligent, reprogrammable, robots are the manufacturing eyes and hands of the future and growth rates should rise past 20% a year to as high as 40% a year in the reports highest growth scenario.

"Many of the applications such as spot welding and material handling that fueled early growth will saturate," the report predicts, but technical gains in vision and tactile systems will help new applications such as arc welding and assembly expand "to such an extent that their growth rates will begin to dominate the overall growth rate in the industry."

Significantly higher growth rates are foreseen among some of the ancillary market segments. Devices for robotic vision

[continued on page 13]

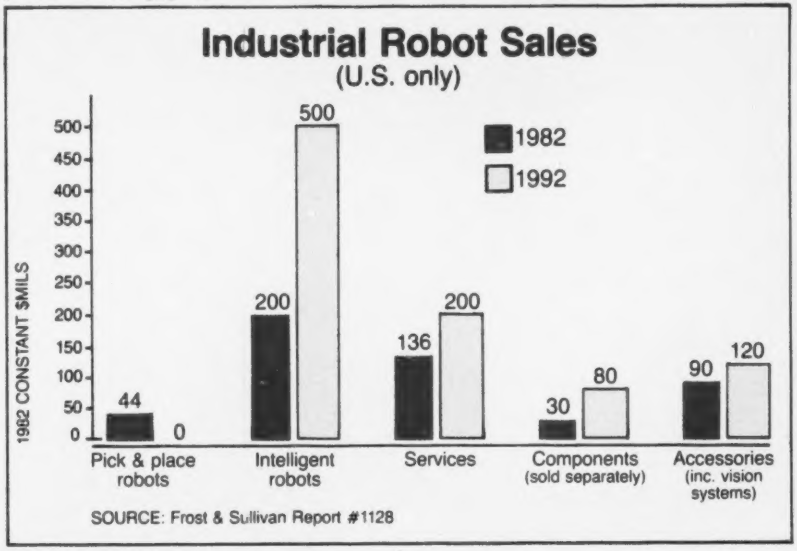
though slower growth over the next decade.

The report found that, just as the market for rotary drilling machinery and equipment expanded more rapidly than other market segments during the 1980-81 drilling boom, the 1982-83 contraction was also more pronounced in this segment of the industry. Manufacturers' sales declined by nearly 11% in 1982 to $3.8 billion, and a further drop of more than 23% brings 1983 sales down to around $2.9 billion.

Over the long-term, however, sales of rotary drilling machinery and equipment are expected to post healthy gains, increasing at a compound average annual rate of 15%. Approximately 9% of this increase will be volume growth, with the remainder due to price increases. In dollar terms, this will result in sales of $15.5 billion by 1992.

Growth in the market for relatively less sophisticated non-rotary drilling machinery and equipment will be somewhat slower, as the search for oil and gas continues to take producers into increasingly hostile environments. Currently pegged at $323 million, annual growth rates averaging 14% throughout the coming decade should bring sales in this submarket to $1.2 billion by 1992. □

[continued from page 7]



SOURCE: Frost & Sullivan Report #1128

and tactile systems, among the robot accessories submarkets, should achieve growth rates of 50-100% a year. However, the Frost & Sullivan analysis warned of chaotic growth and a future of consolidation and dropout of firms in these areas.

Components, such as direct-current servo-motors, resolvers and controllers, are expected to increase volume at a rate of 25% a year, faster than the overall market. □

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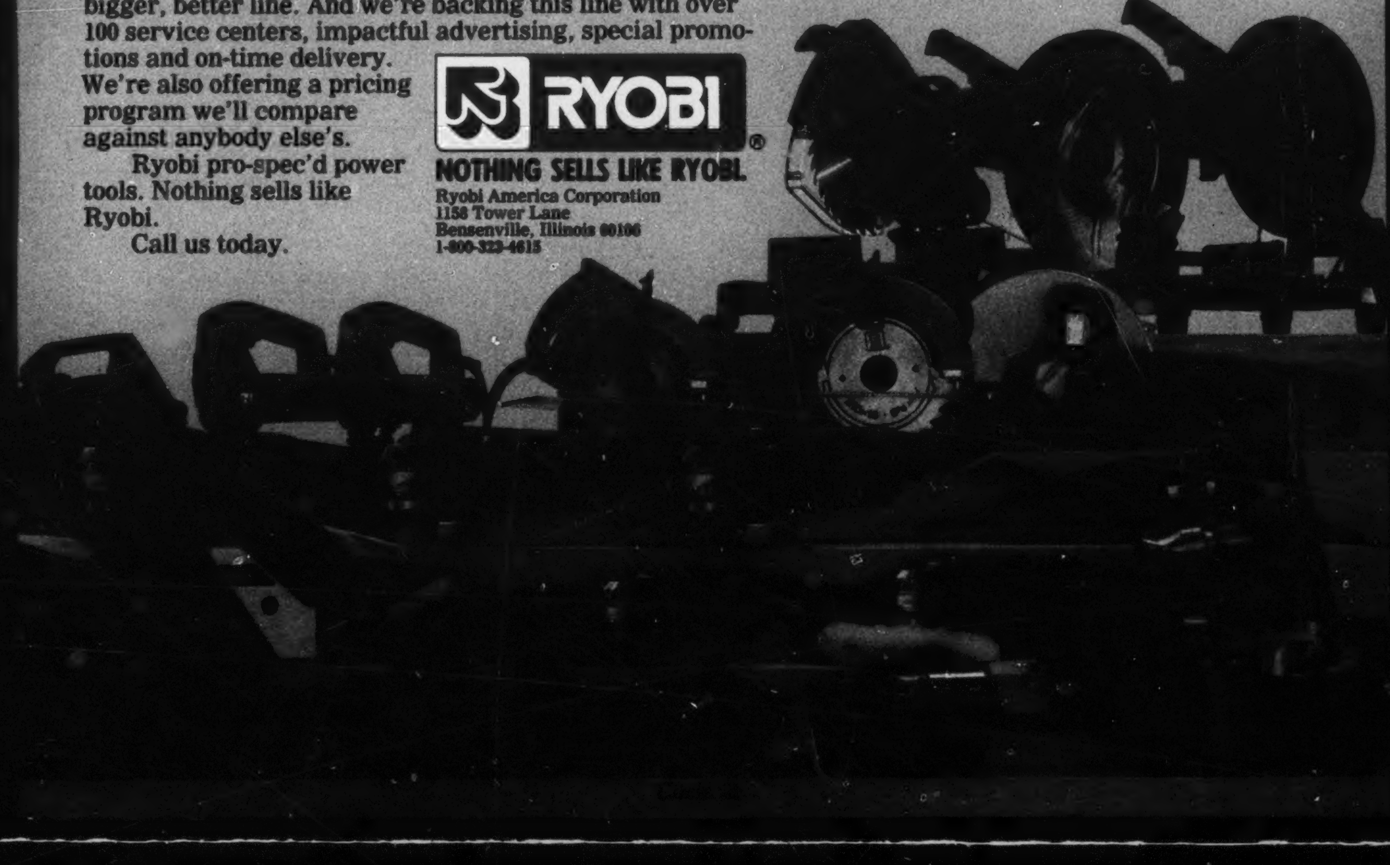

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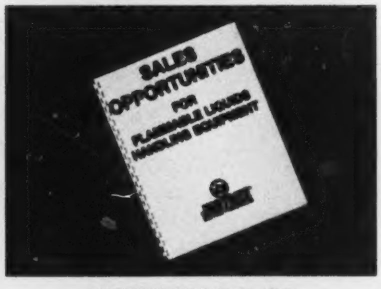

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# INDUSTRY NEWS...

## Great Lakes Hydraulics acquires Infi-Drive line

GRAND RAPIDS—Great Lakes Hydraulics has recently acquired the Infi-Drive hydroviscous adjustable-speed product line from the U.S. Motors division of Emerson Electric. The Infi-Drive is a variable speed drive that works on a hydro-sheer principle, ranges from 3 to 700 horsepower, and is available in a variety of controls.

"This move will insure continuation of full service for prospective customers and the owners of existing Infi-Drives," said Arthur J. Apkarian, president of Great Lakes Hydraulics.

Infi-Drive operations in Durant, OK and Milford, CT, are being centralized in Grand Rapids, the location of Great Lakes Hydraulics' home office. ☐

## *Suppliers merge as Beltservice Corp. acquires Fabricon Inc.*

ST. LOUIS—Beltservice Corp., a fabricator of cleated and specialty belting and a large wholesaler of conveyor belting, has acquired Fabricon Inc. of Portland, OR, a manufacturer of cleated and sidewall belting.

"This move combines two very excellent, experienced staffs of people, brings together complementing strengths and expanded product lines, pools research and development efforts, as well as accounting functions and financial resources," said Richard G. Engelsmann, vice president, Beltservice.

"Duplicate costs of tooling, machinery, promotional advertising and field sales expenses will be eliminated," he added. "It is expected that these factors will result in savings to the customers and improved service from our locations around the country."

Service to customers will be available from St. Louis, Portland, Charlotte, NC, and Sacramento.

"Our goals are faster delivery, lower freight costs, greater variety of cleated and other belting specialties offered, and greater technical expertise and service levels on the corrugated sidewall belting," Engelsmann said.

James A. Meyer, formerly president and owner of Fabricon, will remain as a consultant to the company. William R. Engelsmann, president of Beltservice, will function as president and general manager of Fabricon during a transition phase.

"Certain changes in sales, marketing and manufacturing will be made over the next few months to achieve the synergism we expect," Engelsmann said. ☐

## Indicators . . .

Although some indicators are down or slowing, most indexes show gains. These mixed statistics may be the result of a slowing economy. For the first time in four months the *NIDA-SIDA Industrial Distribution Index* fell as it moved from September's 121.6 to October's level of 119.0. The midwestern region showed a slight gain, up 0.3 points, while all other regions declined. The *NIDA-SIDA Industrial Supply Inflation Index* moved up to 154.9 in October, a 0.8% increase over September's 154.5 . . . According to the *SIDA Monthly Sales Trend Report*, sales showed an improvement of 2.22 points for September over the previous month. September had sales 18.54 points above September, 1982 and year-to-date figures have this year 0.02 points ahead of last year . . . The *ASMMA New Order Index* was up to 105.0 for September, an increase of 0.9 points, or 0.9%, from the previous month . . . New machine tool sales by distributors were up 21.9% in September from the previous month and the *Distributors New Orders Trend* posted a 4.6% rise from its August level, according to the American Machine Tool Distributors' Assn. A 30.3% rise in metal cutting machine tool sales was responsible for September's upswing . . . According to the National Machine Tool Builders Assn., net new orders increased by 14% in September over October totals, and shipments were up 19% . . . U.S. consumers remain optimistic about the economy while their buying plans dropped off somewhat, reports The Conference Board, as its *Buying Plans Index* dropped to 107.8 in October, down almost six points from September's 113.5 reading, and the *Consumer Confidence Index* registered 85.2, up from September's 84.8 level . . . The *Welding Supply Index*, compiled by the National Welding Supply Assn., registered 159.5 for September, up 4.0 points from the previous month. The September reading was the highest level of the year . . . The National Wholesale Hardware Assn.'s *Hardware Sales Index* stood at 103.6 for September, down 3.1 points from the previous month. However, average daily sales for September were up 2.5% when compared to August.

# REGIONAL REPORT

## Sales up through October

October sales increases have continued in double digits when compared nationally to 1982 figures. The accelerated growth rate began with July's increase of 10%, followed by 14% in August, 12% in September, and 13% in October.

Of the regions reporting, double-digit gains were recorded in the Middle Atlantic, South Atlantic, East North Central and West South Central groupings. None of the regions reported negative figures. In the areas reporting, the figures were equally positive, with Upstate New York showing a 19% increase, and Pennsylvania up 14%.

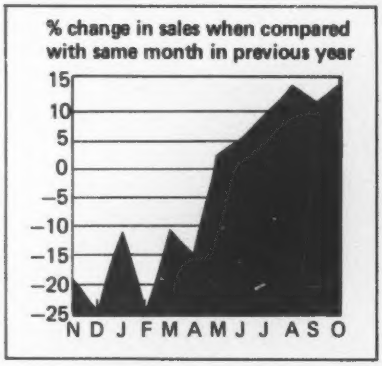
Month-to-month reporting, however, has indicated some weaknesses. For the U.S., October '83 was down 1% compared to September '83, with spotty minus signs appearing in some regions as well as areas of the country. These figures are slightly more negative when compared with those of September. Five of the seven regions reporting figures for October, were negative. The other two regions, East North Central and West South Central were up only 3% and 5% respectively.

The first 10 months of '83, when compared with the like period of '82, indicate a mixed picture with 0 or even averaging out for the U.S. Nevertheless, these figures represent a substantial comeback in distributor business in the third quarter of '83.

Although increases in receivables have been recorded for several regions of the country in October, the average for the U.S. remains virtually unchanged. □

| **RECEIVABLES*** | **Oct. '83** | | **Oct. '82** | |
|---|---|---|---|---|
| | **Gen.** | **Spec.** | **Gen.** | **Spec.** |
| **New England** | 43 | 41 | 48 | 42 |
| **Middle Atlantic** | 47 | 44 | 43 | 44 |
| **South Atlantic** | 38 | 37 | 38 | 38 |
| **East North Central** | 39 | 47 | 37 | 53 |
| **East South Central** | 42 | 43 | — | — |
| **West North Central** | 38 | 35 | 36 | 38 |
| **West South Central** | — | — | — | — |
| **Mountain** | — | — | — | — |
| **Pacific** | 38 | 39 | 37 | 43 |
| **National** | 41 | 41 | 40 | 43 |

*Average days outstanding


**% change in sales when compared with same month in previous year**

**October sales sustain growth . . .**

| **SALES BY REGIONS (% change)** | Oct. '83 vs Sept. '83 | | | Oct. '83 vs Oct. '82 | | | 1st 10 mos. '83 vs 1st 10 mos. '82 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Gen.** | **Spec.** | **Both** | **Gen.** | **Spec.** | **Both** | **Gen.** | **Spec.** | **Both** |
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | +5 | −10 | −3 | +7 | +2 | +5 | −4 | +8 | +1 |
| Connecticut | +14 | — | — | +7 | — | — | −7 | — | — |
| Massachusetts | +9 | — | — | +7 | — | — | −2 | — | — |
| **MIDDLE ATLANTIC:** NY, NJ, PA | −7 | +1 | −2 | +9 | +11 | +10 | −9 | −4 | −6 |
| New York Metropolitan Area | — | — | — | — | — | — | — | — | — |
| Upstate New York | +4 | +1 | +2 | +22 | +16 | +19 | −7 | −5 | −6 |
| Pennsylvania | −8 | +3 | −1 | +20 | +11 | +14 | −2 | +9 | +5 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, | −4 | −2 | −3 | +12 | +9 | +10 | +2 | +11 | +6 |
| SC, VA, WV | | | | | | | | | |
| Georgia-Florida | — | — | — | — | — | — | — | — | — |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | +1 | +6 | +3 | +24 | +24 | +24 | +8 | +5 | +7 |
| Indiana | +1 | — | — | +21 | — | — | +20 | — | — |
| Wisconsin | −1 | +10 | +7 | +13 | — | — | +4 | +8 | +6 |
| Chicago | — | — | — | — | — | — | — | — | — |
| Michigan | +8 | — | — | — | — | — | +3 | — | — |
| Ohio | −1 | — | — | — | — | — | — | — | — |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | −5 | — | — | +6 | — | — | −1 | — | — |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | −5 | −3 | −3 | +2 | +6 | +5 | −15 | −9 | −10 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | +12 | +3 | +5 | −3 | +24 | +18 | — | −21 | — |
| Texas | +10 | — | — | +15 | — | — | −21 | — | — |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | — | +10 | — | — | +13 | — | — | −16 | — |
| **PACIFIC:** CA, OR, WA | +5 | −9 | −1 | +2 | +16 | +7 | −12 | +9 | −5 |
| L.A.-San Diego | — | — | — | — | — | — | — | — | — |
| Oregon-Washington | +5 | −14 | −4 | +3 | +4 | +4 | −12 | −4 | −5 |
| **U.S. TOTALS** | 0 | −1 | −1 | +12 | +13 | +13 | −2 | +2 | 0 |

# People, Places, Markets

**For years, manufacturing and population have been emigrating south and west, badly depleting established markets for goods and services. The trend has slowed and more industry and commerce are staying in place, drawing new business, and generating new opportunities for distributors and other services in those markets.**

The decade of the 80's, just four years old, has thus far been dominated by economic shifts that are altering the industrial composition of the country. While certain new industries accelerate their growth, other, long-established industries, are in a state of decline. This places industrial distributors, with some exceptions, in a difficult position.

Most industrial distributors are small businessmen, have little or no marketing departments to conduct studies on regional manufacturing trends, and have been servicing a few large 'bread-and-butter' companies for years, not having had to concern themselves with new or changing markets, until the past recession changed this way of thinking. Difficult as this is, the harder reality of incorporating changes lies ahead.

The fallout from the sharp and prolonged recession can now be seen more clearly. Although some industries have managed a recovery, others seemed destined never to return to the level of business they had before. Some relocation of low technology or smokestack industries, with the accent now on low-cost production of manufactured goods, have already taken place, with more in the offing. Additionally, new industries built around high technology have sprouted up around the country, putting distributors in a quandary as to future business plans. In the past, new markets meant new customers, while allowing distributors to pretty much hold on to their same product lines. However, many of the new customers appearing in today's marketplace have different product needs. Should the distributor wait for the return of business in the markets he has dealt with in the past, or alter his product lines to service some of the needs of these new high-tech enterprises?

In order to gain some perspective on the changing industrial markets in the U.S., ***ID*** has gathered the latest available data on trends and coupled it with information from distributors in some of the hardest hit and some of the most prosperous areas of the country.

This report: *People, Places, Markets* is intended to furnish some insights into where the major changes are occurring, how this is affecting some given regions, and where some of the new opportunities lie.

### Market changes: lost and found.

Waiting for the lost business to return after the past recession could turn out to be like waiting for the stock market to recover after the crash of '29.

This took many years to happen, and there were plenty of ups and downs along the way. Still, new opportunities came out of the ruins, and the same can be expected from the recent recession. Although some markets declined, new ones are being discovered.

Looking west to Oregon, the severe downturn in the lumber industry, due primarily to the slump in housing, impacted heavily on regional distributors, especially in the Portland area. Heinz Nowak, president, Fluid Air Components, Portland, recounts how his company suddenly lost a lot of business, and fought back quickly to hold on to what was left.

"We deal in hydraulic equipment," says Nowak, "and understand the different phases in the cycles between OEM's and users. The users went down first, but we hung on to the OEM's because they were still working off backlogs. But when they went down, business was gone—and I mean gone! We quickly started a program focusing on the MRO part of the user business. In addition, we put our emphasis on an electro-hydraulic system that could offer the user a payback in about six months time; in other words, the kind of system they would be looking for in hard times. A lot of would-be customers were interested but didn't have the cash, so we set up a down payment system with progressive payments spread out over a year. The payments were based on how much additional recovery they were getting out of the product. It worked beautifully for us. If we hadn't done this, I don't know where we would have gone because the OEM's still haven't come back!"

# People, Places, Markets

Nowak states that his company is now more aggressive than ever, finding new markets in specialty mobile equipment and forest products. "Still," he says, "we're in a recovery phase. I have no idea when expansion will occur."

Although Fluid Air Components laid off personnel to cut costs, as many other distributors in the area did, Nowak points out that you can only cut back to the core. "If you drop some of your core group of employees,' concludes Nowak, 'you may irreparably hurt your company and therefore your chances of ever recovering your lost business."

Hilarie Turner, president, McGuire Bearings Co., Portland, worries about Oregon's future business climate. "The state of Oregon has lost some business in this recession, which is understandable, but what bothers me is we don't have any big ones moving in. I believe this is because of Oregon's *Unitary Tax Law* (see box). You just can't discourage business at a time like this. Today, every company wants and needs to be a low-cost producer, and the less tax you pay, the better your company's going to look."

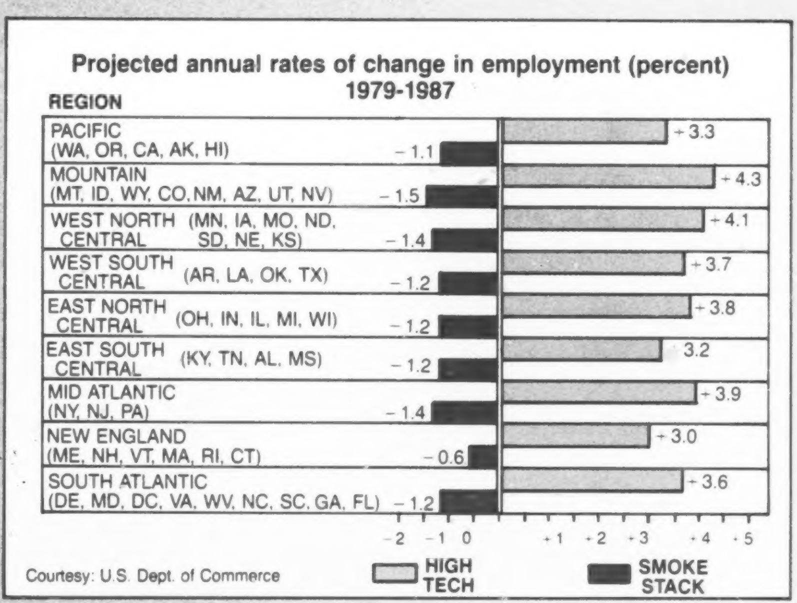
As for his own business, bearings and power transmission products, Turner boasts of having had a good recession year, an exception to the rule in the area. "We're a small company compared to our competitors, and instead of the big lumber companies, we have the small appliance and maintenance accounts. When the recession got hot, we went after the big markets after first striking some very good deals with our suppliers. We knew they would want to lock us up for the coming months, and we invested a sizable amount of cash to get good, discounted inventory. As the lumber companies were looking to reduce costs in the recession, we got their business. None of the other distributors around could match our prices."

Turner, like Nowak at Fluid Air Components, laments the decline of the OEM's. "We lost them completely," he says. "They just shut down. Some of them are now into repairs and we get a little business, but it's nothing like before." Most large lumber companies have some OEM in-house capabilities, he points out, and until the demand is extreme, they can take care of their own OEM needs.

## Snow Belt vs. Sun Belt

Before the recession set in, the popular consensus had it that a mass exodus of manufacturing companies moving from Snow Belt states to Sun Belt states would soon be taking place. Advantages such as lower costs for real estate, labor and taxes made the exodus sound natural and inevit-

[continued on page 49]



Courtesy: U.S. Dept. of Commerce

**A regional country-wide profile report on the distribution of employment in both high-tech and smokestack industries reveals employment gains in the high technology sector and a decline in the smokestack industries.**

**During the recession, the smokestack sector lost a near 378,000 jobs in contrast to a growth figure of 296,000 jobs in the same 1979 to 1983 period for high-tech. The decline in the smokestack sector is based on forecasts of industry output (see chart).**

**Sections of the country showing a loss in smokestack industry employment will face persistent financial problems as the need for social services increases more rapidly than the tax base. Jobless blue collar workers, with a decline in union membership due to unionized regions experiencing slow growth, will be competing for white collar jobs. The result would decrease the proportion of higher-paying blue collar jobs and increase the proportion of lower-paying blue and white collar jobs.**

**A region to be sharply affected is the East North Central which employs 50% of the total U.S. smokestack employment. With a change of −1.2 percent in employment projected annually, on average, through 1987, the inclusive states will find that the increase in high-tech industry there will not compensate for the loss of smokestack industry jobs. Between 1979 and 1983, 177 thousand jobs in the smokestack sector were lost in contrast to the expected 97,000 jobs in high-tech.**

**Significantly, the shifts of employment are not only from region to region throughout the U.S., but also within each state.** Although new jobs in the high-tech sector are estimated to make up for lost jobs in the smokestack sector, some states will be divided between the two industries. For example, the Mid-Atlantic region has a combined high technology-smokestack employment growth of 2.25% which results from an annual decline of 1.5% in the smokestack sector and an increase of 4% in the high-tech sector. As an industry picks up in one city and a neighboring smokestack city loses its hold, these shifts in industry will directly affect the services provided by distributors. Distributors will find themselves confronting not only new customers, but customers requiring a different type of product.

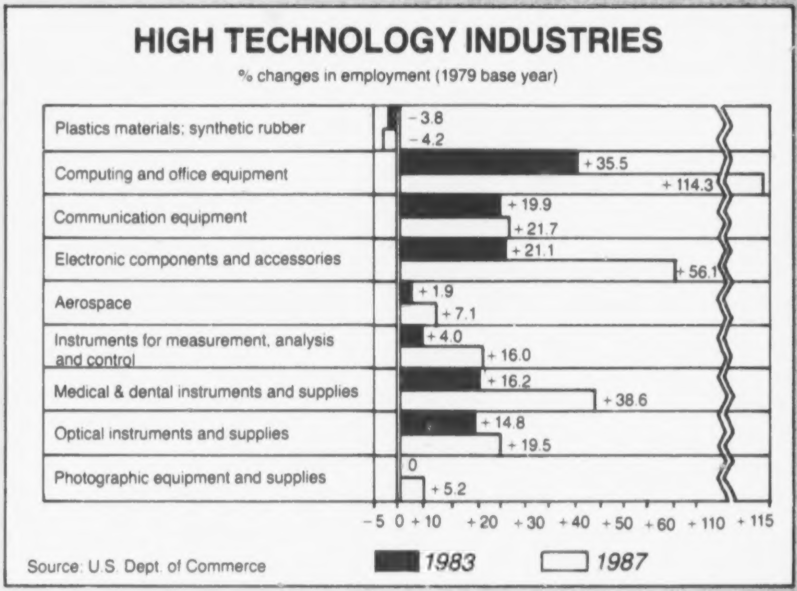
The consolidation of industry, closing of plants, and industries which fall victim to foreign competition all diminish the prospects for distributors who deal with end-users of the smokestack industries. Distributors must tap new markets and follow the high-tech industry into new areas. Distributors keyed to market research and who watch the shifting economic trends in their area should research state and local government fiscal policies; state-regulated employment costs; labor costs; and the availability and productivity of the labor force. Proposed changes in these policies could also indicate an area's changing industry.

For a distributor, the loss of a smokestack industry in a given region could very well be compensated by the rise of a high-tech industry. A review of the growing industries (see chart) will help in determining what industries are opening up versus those that are lagging behind in the economy.

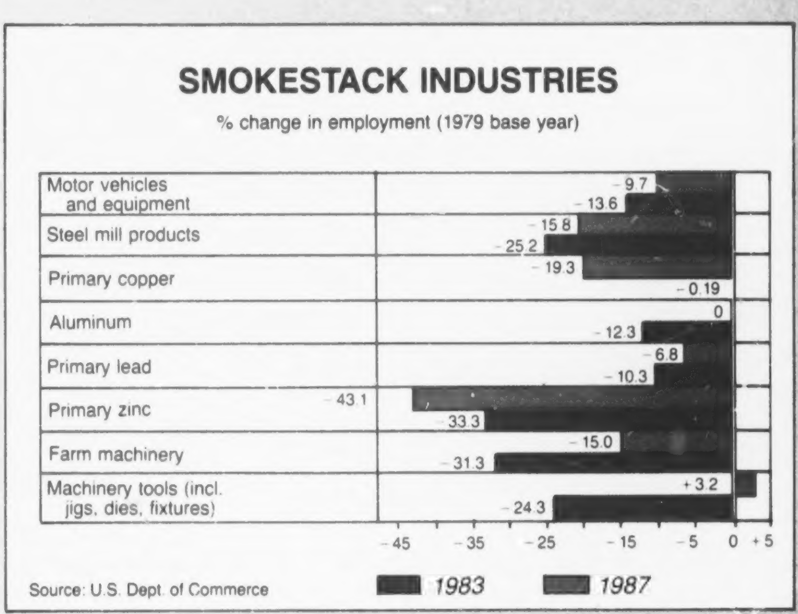
Changes in regional employment are greatly affected by the mix of manufacturing output. A review of 10 high-tech and eight smokestack industries (see chart) indicates a severe decline in the smokestack industries.

Steel mill products will suffer the greatest losses of employment through 1987. With depressed steel prices and high production costs, the steel industry can expect losses on steel production resulting in an attempt by steel manufacturers to reduce costs in labor and in manufacturing operations.

Most high-tech industries grew throughout the recession and are projected to expand at increased rates. The most significant increase is in computing and office equipment, which rose in the first quarter of 1983 16% above their comparable level in 1982, reflecting recoveries in major foreign markets.



Source: U.S. Dept. of Commerce



Source: U.S. Dept. of Commerce

**'. . . distributors will soon be confronting customers with sophisticated demands.'**

The only high-tech industry which shows a negative figure is plastics materials and synthetic rubber, with a decline of 3.8% through 1983 and 4.2% through 1987. Lagging demand in plastics materials weakened price increases and profits continue to suffer. Consumption of plastics materials depends widely on the performance of the construction, automotive, and housing markets which are important plastics end-users.

Those industries which traditionally lag economic recovery include construction machinery and machine tools; in the metalworking industries low capacity utilization rates and intense foreign competition are causing severe problems.

Motor vehicle and equipment shows less of a decline through 1987 than through 1983 due to the 1983 reduction in gasoline prices which stimulated an increase in demand for larger automobiles. The expected growth in autos will favorably affect supplier industries including steel, aluminum, rubber and plastics materials.

Improvement in construction activity is having positive effects on the lumber industry as well as for household furniture and household appliances. Preliminary estimates for lumber shipments during the first quarter of 1983 exceeded first quarter 1982 by about 35 percent. U.S. lumber imports have accounted for about 30% of U.S. lumber consumption during the past few years.

Shipments in 1983 of farm machinery and equipment fell 44% below the record year of 1979. Retail sales dropped steadily and excessive inventories accumulated. The Department of Agriculture's payment-in-kind program has had a negative effect on this industry. Figures in this industry suggest that it may be years before industry production reaches previous levels.

With the decline in the smokestack industries and the rise of high technology, distributors will be confronting a more sophisticated customer than before, with more sophisticated product demands. High technology, as evidenced in the charts, is the major growth industry of the '80s, and is spreading rapidly throughout the country. The Silicon Valley of California has spilled over into Oregon and Arizona. Route 128 in Boston, the Silicon Valley of the East, has moved into New Hampshire and is spreading throughout New England. Distributors who learn about high-tech operations now, will discover the line of products they can carry that are most suitable for this industry. Certain high-tech product requirements could provide distributors with the product mix they are going to need in order to increase market share in their area.

[continued from page 47]

able. Some companies made the move, but during the recession the 'mass exodus' amounted to a trickle. The question now is: Will this movement now pick up steam? If it does, can distributors replace lost business, or will they be forced to move too? Also, is another option feasible, such as distributors keeping their business ties to customers who relocate a few hundred miles away?

Brent Meizlish, president, Buckeye Industrial Supply Co., Columbus, OH, a cutting tools and abrasives specialist, tried following one of his good customers to the south. "You can do it for awhile," he states, "but eventually a southern distributor will be able to serve your customer a lot better than you can. The only way you can serve your customers effectively and efficiently is if you have enough of them concentrated in a given area. The trouble is that the plants in the south are few and far between. You can go to just one account and waste a whole day's worth of calls. It's just not profitable."

Joel H. Shapiro, president, J&L Industrial Supply Co., Detroit, a specialist in cutting tools, accessories and mechanics tools, has similar views as Meizlish. "Unless you go into a metropolitan area like Houston, Dallas, or Atlanta, you won't get enough business out of a local area to warrant trying to cover it, or for opening up a branch operation, for that matter. In any branch operation, the local area has got to carry the operation without dependence on a city more than 60 miles away. As for my own area, I think Detroit is still better than any city down south as far as population and manufacturing are concerned."

Robert E. Nyrop, president, Baldwin Supply Co., Minneapolis, whose company carries both electric and electronic products as well as power transmission, rubber and plastic products, is both trying to keep old customers and to court new customers and markets at the same time. "We'll travel to keep old customers," Nyrop says, "that is, if they have not moved clear across the country. But we are realists. We must have new markets, and we don't think they're all going to be in the Sun Belt states either. There is always talk around here that this is an expensive area for manufacturers to operate in. But in spite of this, high-tech companies continue to start up their operations here, and we have to include them as part of our future business."

Distributors seem reluctant to conclude that new areas of the country are attracting businesses once firmly established in other areas, in meaningful numbers. They may be right. Although high-tech companies are certainly moving into areas such as Florida and Georgia, many are new concerns, and few are smokestack companies relocating their manufacturing facilities. In addition, cities such as Orlando are becoming congested with traffic, have rising taxes as well as real estate costs, and are thereby becoming less desirable. However, no evidence at present suggests that the decline in smokestack industries has abated, and though the recession is behind us, attrition, consolidation, and in some industries, especially steel, plant closings continue.

## Limited options

Specialists hit in the heavier smokestack areas appear to have fewer options than do general liners in the same area. T.A. Unckrich, president, Detroit Pump & Mfg., reacted to the drop in business activity in his area by reorganizing his entire sales force, cutting costs, cutting salaries, etc. This specialist, providing pumps for the auto and support industries such as paper and steel, had the advantage of good, lean inventory, which helped to get his company through hard times. The situation appears grim, now that the dust has cleared. Says Unckrich, "Michigan has lost 10% of its business. They're gone. This means that for us, there's no other way to get back the business we had except to gain a greater market share of the remaining business out there. This isn't going to be easy."

In Peoria, IL, William H. Keenan of Barrett Industrial Supply Co., specializing in cutting tools abrasives and fasteners, reveals that most of his customers have moved out of here or gone out of business. There's still 50% unemployment in this area, he says. Faced with dwindling sales on into the future, he opted to change his product mix and seek new markets.

"We're stocking for contractors now," he states, "something we've never done before. I'm afraid we don't have much choice. We're carrying cement trowels, masonry anchors, anchor bolts, etc. What we need above all are new companies to move in—but I don't know if they will. Those who have moved out complained that the workmen's compensation laws make it very expensive to conduct business."

Among the general liners in the hard hit areas, there may be more markets still around, but here too their options are limited.

Leo Mulligan, president, B.D.I./Flack, Dayton, OH, was hired specifically to replace the company's last president and "get things moving."

"We carry hundreds of products such as drilling and milling machines, lathes, chemical lubricants for the steel industry, tools and abrasives," says Mulligan. "We primarily serve the sheet metal industry. Looking at our lineup of products, I decided that the future is not about to open up with a flurry of new product spending and we would be better off concentrating on consumables—items that are used and replaced. I guess you can call us an MRO company now—and it's already beginning to pay off."

J.G. Reardon, President, Bramaw Dow & Co., Boston, a pipe, valve, fitting specialist, believes New England was hit less severely than other parts of the country. "Nevertheless," says Reardon, "we found it necessary to broaden our customer base. We went from commodity PVF to specialties such as fiberglass and plastic PVF, plus actuator valves. We also started a valve repair operation. We have not seen any new markets, and we lost a few of the old ones, but we're doing more business with the people we know and have known over the years."

## South gettting stronger

Stanley Webb, president, Webb Bolt & Nut, Orlando, remembers when, 30 years ago, he was only the third distributor in the state of Florida. "Today," he says, "I'm one of 127 fastener distributors in the state."

Webb claims that as far as his business goes, there was no recession at all. "We supply MRO hardware to the building industry," he states, "and new companies have been pouring in here all year."

Among the new companies opening up facilities in Orlando are Westinghouse and Burroughs. The big companies help bring the smaller, sub-assembly companies in, Webb points out, which is good for the fastener business. The detriments are the rising costs of real estate, labor and taxes, plus traffic congestion. Webb doesn't like it, but for the prosperity it is bringing to the area, "I'll live with it," he says.

William R. Ziegler, president, Ziegler Tools, Inc., Atlanta, a general line distributor, saw only a slow movement of manufacturing companies to the Atlanta area before the recession, and hopes this trend will now resume and accelerate. "We have a lot of headquarters here for the *Fortune 500* companies," says Ziegler, "but not a great deal of manufacturing." In fact, the growth in the Atlanta area has been more in the white collar, high-tech area, than in new or relocated manufacturing companies.

Through the recession, Ziegler Tools continued to take on new product lines, recalls Ziegler. "Our philosophy has been not to seek new markets, but to broaden our lines and sell more to the same customers," he says. As for high-tech products, Ziegler sees a natural transition.

"Our customers will get as sophisticated as any other country in modernizing their means of manufacturing," he states, "and we'll furnish them with high-tech products the same as we've furnished them with other related groups of products through the years." Ziegler points to one of his new supplier's products, the Bausch and Lomb digital readout, which has applications on lathes and milling machines. "This ties in perfectly with our philosophy which is to go after those product lines that will help us to do a better job with the customer we're already working with, regardless of the technology involved."

This philosophy of William Ziegler and Ziegler Tools is important, we believe, in order for industrial distributors to stay and grow with their customers. Applying Ziegler's philosophy to stay and grow with the established customers even in depressed areas could significantly aid the turnaround for regional distributors. With the heavy industries turning more and more to high-level automation such as robotics, a distributor can continue to service his old customers with the new families of products. The criterion, it appears, is to inventory what the customer may need despite the level of high-tech, not whether the product fits in with established inventories or specialties.

### Growth projections

The upturn in American industry in '84 is expected to open up new opportunities for the distributor. Whether he carries old line products, imports, or high-tech products, business is slowly returning to life across the country. The discovery of new markets for the same products, the carrying of high-tech products for new industries, whatever his choice, the object is, of course, to keep his business going and growing.

Certain states offer advantages that may have already caused industries to move there. The emphasis for industry is on competition, and the opportunity for successful competition lies in bringing prices down, i.e., being a low-cost producer. As long as the inflation rate is down, this emphasis will remain, and states offering favorable economic conditions should get the major share of new business in the '84 recovery.

Florida and Texas are the highest ranking states in terms of having healthy business climates, according to a list compiled by Bernard E. Ury Assoc., Inc., public relations consultants, Chicago. Major factors affecting "healthy business climates" have shifted from easy means of transportation and local supportive industries to economic factors contributing to low cost production. In addition to labor, real estate and taxes, energy consumption has become significant—especially in large facilities. This gives the Sun Belt states a distinct advantage, although energy-saving equipment is being added in most plants operating in winter climates.

One of the largest growing industries in the country, and in the world, is CAD/CAM: computer-aided design/computer-aided manufacturing. This market will grow to over $2 billion in 1984 from $1.6 billion in 1983. Companies in New England such as Lexidata and Computervision have grown rapidly, as have Intergraph Corp. in Huntsville, AL, and McDonnel Douglas Automation Co. in St. Louis.

Although CAD/CAM is almost purely an electronics system, new as well as enlarged plants require all the initial equipment, as well as maintenance equipment and repairs as do other plants. In addition, product manufacturing requires both standard and special tooling which distributors could easily carry and sell.

The resumption of business in home buildings and autos bodes well for some of the most depressed areas of the country. In the interim, both the steel and auto industries have made heavy commitments to robots. As robots are 65% mechanical and only 35% electrical/electronic, distributors have a rare opportunity here in supplying replacement gears, motors, couplings, hose and other familiar service components. It is envisioned that the modern plant of the not-too-distant future will have CAD/CAM systems controlling robots. CAD/CAM furnishes the design and direction, robots carry out the work.

Other states up near the top in business climate ranking include North Carolina, South Carolina, North Dakota, Georgia and Arizona. Down near the bottom are Illinois, Oregon, Ohio, New York, Pennsylvania, Rhode Island and Michigan.

Overall, the statistics bearing on losses and gains in manufacturing jobs show smokestack industries declining throughout the country, as high tech employment gains. Significant in terms of distributor orientation is the dispersion of high-tech companies and jobs throughout the country. In addition to the well-known Silicon Valley in Northern California, and the high-tech area of Route 128 near Boston, virtually every state in the country will see a growth in high-tech industries and employment. In addition to computers and CAD/CAM, medical electronics and the communication equipment markets are booming. Georgia, Maryland, New York and New Jersey are important states in these markets.

The continued strength of the dollar should hurt American manufacturers again in '84 as imports will find a strong market; any significant growth in inflation will give imported products added impetus. Exports continue to dwindle, despite the resumption of growth in several European countries emerging from recession. □

## Distributors' stake in state Unitary Tax Laws

**State Unitary Tax Laws are a means by which a state can gain income from a corporation not just on its revenues derived within the state, but on revenues gained from its operations in the rest of the U.S. and, in some cases, the rest of the world.**

**At present, twenty-three states impose some form of unitary taxation by taxing companies based on U.S. earnings. Twelve states tax a corporation's worldwide earnings. According to John Krystofik, senior manager, Peat, Marwick, Mitchell & Co., New York:**

**"Usually, Unitary Tax Laws work to the detriment of large corporations, making them reluctant to move into states where they exist. Although every state has a system of taxation that's peculiar to that state, most Unitary Tax Laws are similar. A corporation's sales, property and payroll within the state, are compared to its sales, property and payroll outside the state, and percentages in each category are arrived at. The state usually adds up these percentages and divides by three, giving them the final figure. This is known as the apportionment formula."**

**According to Krystofik, California, Oregon, Illionis, Florida and some 19 other states now have Unitary Tax Laws, although in Florida, a move has already begun in its legislature to repeal the law.**

**The lost business for distributors in a state having unitary tax laws could be substantial. Not only would a large, multinational manufacturing company be a potential customer for the distributor, so would the related businesses—the multitude of subcontractors that would be drawn in with them.**

**Those states that do not have unitary taxes stand to gain, for they should be the winner in most contests for the construction of new plants by the multinationals.**

**Unitary Tax Laws have been tested in the U.S. Supreme Court and found constitutional.**

# *ID's* QUARTERLY INFLATION INDEX

Although 17 of the 32 commodity groups in the *Silver/ID* Index declined in the third quarter of 1983, an unusually large increase in the plastic group caused the composite index to rise by 0.4%, or at an annual rate of 1.6%. The *NIDA/SIDA Index* of 10 commodity groups, which doesn't include plastic products, declined by 1.2% for the third quarter, or at an annual rate of minus 4.8%. Based on the first three quarters of 1983, the annual rate of inflation for 1983 will be 2.1% according to the *Silver/ID Index*, but only 0.9% according to the *NIDA/SIDA Index*. Again, the entire difference is attributable to the 14% rise in plastic products for the third quarter (an annual rate of 56%!), which temporarily distorts our index. (Table 2).

In 1982 our index rose by 2.6%, and the *NIDA/SIDA Index* by 3.0%. In 1981 our index rose by 8.9%, and in 1980 by 11.1%.

As business in the smokestack industry is now picking up, prices will probably begin to rise as they are in other sectors of the economy where the business pickup started earlier.

Table 1 shows how a more substantial rising rate of inflation has paralleled the recovery to date in some of these other industries. The *Consumer Price Index* rose at an annual rate of 4.8% for the third quarter (for the second quarter the rise was a strong 6.4%), and the annual rate for 1983 based on the first nine months is projected at 4.3%. For the prior 12 months it was 2.9%.

Based on the first nine months of 1983, the *Silver/Wholesaler Index* of plumbing products projects a 1983 inflation rate of 4.4%, almost double the 2.3% rate for 1982. The *Electrical Marketing Index* projects a 1983 inflation rate of 4.5%, also almost double the 2.9% of 1982.

*Compiled by Alan Silver Associates, Inc., Highland Park, NJ*

## Table 1—Comparing inflation indexes

| | *BLS inflation rates (%) | | | |
|---|---|---|---|---|
| | Current qtr 9/83 vs 6/83 annualized | Year-to-date 9/83 vs 12/82 annualized | 12/83 vs 12/82 | 12/82 vs 12/81 |
| Silver/*ID* index of 33 industrial product groups | 1.6% | 2.1% | 1.6% | 2.6% |
| NIDA/SIDA index of 10 industrial product groups | −1.2% | 0.9% | 0.5% | 3.0% |
| **PPI index of industrial commodities | 2.4% | 0.9% | 1.4% | 1.6% |
| Avg. of above indexes | 0.9% | 1.3% | 1.2% | 2.4% |
| **PPI index of finished goods (indl/agric) | 0.2% | 0.0% | 1.3% | 3.6% |
| Silver/Wholesaler index of 19 lines (plmgb/htng) | 2.0% | 4.4% | 3.6% | 2.3% |
| Electrical Marketing index of 24 product groups | 5.2% | 4.5% | 5.0% | 2.9% |
| ***NAED inflation index: 16 product groups | 4.8% | 7.7% | 6.4% | 4.8% |
| Consumer Price index | 4.8% | 4.3% | 2.9% | 3.9% |

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Upcoming reports will follow the above format.

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## Table 2—ID quarterly inflation index (1967 = 100)

| Col. 1 | Col. 2 | Col. 3 | Col. 4 | Col. 5 | Col. 6 | Col. 7 | Col. 8 | Col. 9 | Col. 10 | Col. 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Product category** | **Current qtr 9/83** | **Previous qtr 6/83** | **% inflation** | **Current qtr. annualized %** | **Year-to-date 9/83 vs 12/82 %** | **Year-to-date 9/83 vs 12/82 annualized %** | **Last 12 months** | **4th qtr 82** | **4th qtr 81** | **Annual inflation 82 %** |
| Industrial oil | 368.7 | 368.7 | 0.0 | 0.0 | −1.1 | −1.5 | 0.8 | 372.9 | 359.8 | 3.6 |
| Prepared paint | 264.5 | 265.1 | −0.2 | −0.8 | −0.2 | −0.3 | −0.2 | 265.1 | 256.7 | 3.3 |
| *Rubber belts & belting | 329.5 | 330.5 | −0.3 | −1.2 | −1.4 | −0.5 | 1.2 | 328.1 | 312.3 | 5.1 |
| Other misc. rubber products | 305.2 | 302.6 | 0.9 | 3.6 | 3.7 | 4.9 | 2.6 | 294.3 | 277.6 | 6.0 |
| Plastic construction products | 169.9 | 149.1 | 14.0 | 56.0 | 11.0 | 14.7 | 14.2 | 153.1 | 153.4 | −0.2 |
| Semi-finished steel products | 371.1 | 369.7 | 0.4 | 1.6 | 0.7 | 0.9 | 0.2 | 368.7 | 347.5 | 6.1 |
| Wire & cable | 203.8 | 205.4 | −0.8 | −3.2 | 2.9 | 3.9 | 1.6 | 198.1 | 206.7 | −4.2 |
| Electric wire & cable | 103.2 | 102.0 | 1.2 | 4.8 | 3.2 | 4.3 | — | 100.0 | — | — |
| Building wire & cable | 107.9 | 109.1 | −1.1 | −4.4 | 7.9 | 10.5 | — | 100.0 | — | — |
| Builders hardware | 289.0 | 287.5 | 0.5 | 2.0 | 6.0 | 8.0 | 6.4 | 272.6 | 266.1 | 2.4 |
| *Hand tools | 345.4 | 344.8 | 0.2 | 0.8 | 1.0 | 1.3 | 0.9 | 342.1 | 323.3 | 5.8 |
| *Misc. metal products | 287.7 | 287.4 | 0.1 | 0.4 | −0.3 | −0.4 | −0.6 | 288.7 | 281.4 | 2.6 |
| Industrial safety eq. | 134.3 | 133.6 | 0.5 | 2.0 | 2.8 | 3.7 | 3.0 | 130.6 | 125.1 | 4.4 |
| *Bolts, nuts, screws & rivets (fasteners) | 266.6 | 266.7 | −0.04 | −0.16 | −1.3 | −1.7 | −1.0 | 270.0 | 269.3 | 0.3 |
| *Power-drive hand tools | 220.4 | 221.1 | −0.3 | −1.2 | −0.5 | −0.7 | −0.6 | 221.6 | 214.7 | 3.2 |
| Welding machines & eq. | 273.0 | 272.8 | −0.1 | −0.4 | −0.04 | −0.05 | 0.0 | 273.1 | 270.0 | 1.1 |
| *Cutting tools & accessories | 275.3 | 276.1 | −0.3 | −1.2 | 1.2 | 1.6 | 1.3 | 272.1 | 263.9 | 3.1 |
| Precision measuring tools | 245.5 | 246.4 | −0.4 | −1.6 | 1.7 | 2.3 | 2.3 | 241.5 | 233.1 | 3.6 |
| *Abrasive products | 303.7 | 307.1 | −1.1 | −4.4 | 1.8 | 2.4 | 1.8 | 298.4 | 285.7 | 4.4 |
| Metal cutting machine tools | 377.5 | 378.1 | −0.2 | −0.8 | 1.3 | 1.7 | 1.5 | 372.7 | 359.1 | 3.8 |
| Metal forming machine tools | 415.5 | 415.6 | −0.02 | −0.08 | 0.9 | 1.2 | 1.2 | 411.8 | 389.2 | 5.8 |
| Pumps, compressors & eq. | 345.8 | 347.4 | −0.5 | 2.0 | −0.7 | −0.9 | −0.6 | 348.2 | 338.2 | 2.9 |
| Fluid power eq. | 253.8 | 253.4 | 0.2 | 0.8 | 2.0 | 2.7 | 3.2 | 248.9 | 234.0 | 6.4 |
| *Industrial material handling eq. | 285.3 | 285.0 | 0.1 | 0.4 | −0.6 | −0.8 | −0.2 | 286.9 | 284.6 | 0.8 |
| *Mechanical power transmission eq. | 315.6 | 315.5 | 0.03 | 0.12 | 1.2 | 1.6 | 0.2 | 312.0 | 306.6 | 1.8 |
| *Metal valves, (except fluid power) | 99.5 | 100.2 | −0.7 | −2.8 | −0.5 | −0.7 | — | 100.0 | — | — |
| *Metal pipe fittings | 100.8 | 101.6 | −0.8 | −3.2 | 0.8 | 1.1 | — | 100.0 | — | — |
| Ball & roller bearings | 332.2 | 330.6 | 0.5 | 2.0 | −0.9 | −1.2 | −0.9 | 335.3 | 321.6 | 4.3 |
| Plain bearings | 263.5 | 263.5 | 0.0 | 0.0 | 2.5 | 3.3 | 0.9 | 257.0 | 271.6 | −5.4 |
| Wiring devices | 336.6 | 336.9 | −0.1 | −0.4 | 2.7 | 3.6 | 3.3 | 327.8 | 318.9 | 2.8 |
| Electrical instruments | 274.8 | 271.9 | 1.1 | 4.4 | 4.9 | 6.5 | 6.7 | 261.9 | 243.8 | 7.4 |
| Electric motors | — | 304.5 | — | — | — | — | — | 298.8 | 284.1 | 5.2 |
| Generators & generator sets | — | 343.0 | — | — | — | — | — | 331.1 | 359.8 | −8.0 |
| *NIDA/SIDA composite | 296.3 | 297.3 | −0.3 | −1.2 | 0.7 | 0.9 | 0.5 | 294.2 | 285.5 | 3.0 |
| Silver/ID composite | 289.9 | 288.7 | 0.4 | 1.6 | 1.6 | 2.1 | 1.6 | 285.2 | 278.1 | 2.6 |

*Included in NIDA/SIDA composite

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# NOTE

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# Industrial Distribution

February 1984

**Hotline:**
Faster delivery seen as edge for foreign power tools

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4520 EAST-WEST HWY-STE 800
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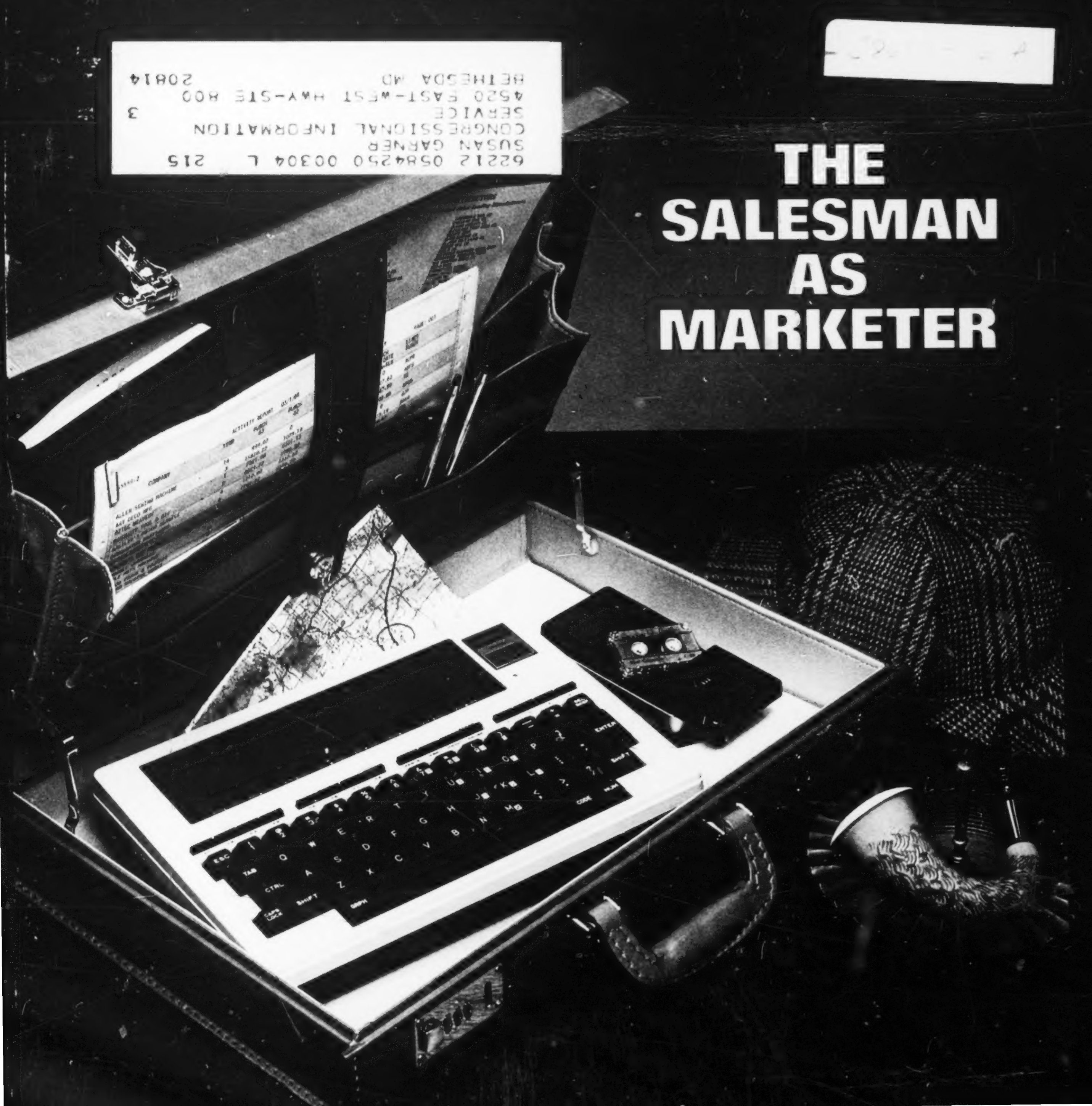

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# INDUSTRY NEWS...

## The Conference Board and NAPM predict a healthy 1984

New York—Economic projections from both The Conference Board, here, and the National Assn. of Purchasing Management, Oradell, NJ, call for 1984 to be a positive year and to outdo 1983.

The Conference Board expects the U.S. economy to register steady, continuing growth in 1984 and remain recession-free for the year, according to a report from the The Board's annual economic forum. NAPM's prediction that the 1984 economy will be better than 1983 came as part of its 26th semiannual economic forecast.

The nation's real Gross National Product is expected to climb by 5.4% this year, The Conference Board said, and inflation, as measured by both the Consumer Price Index and the Producer Price Index, is projected to rise by 4.9%.

"The economy we foresee for 1984 marks a change of gears from 1983," said Conference Board chief economist Albert T. Sommers. "We see no local explosions and no virtuoso performances in any sector of the economy next year. Instead, we expect a broadly distributed expansion, as distinguished from the powerful but not fully coordinated recovery of 1983."

According to The Board's economic forecast, real capital spending is expected to rise about 7%, the U.S. Industrial Production Index should advance by 9.8%, and corporate profits before taxes are expected to reach $251 billion.

Declining inflationary pressures are key reasons for the bullish 1984 outlook. Stable energy prices, a further dip in unit labor costs, rising productivity and the deflationary impact of a high-priced U.S. dollar are expected to be restraining influences on prices this year.

The current level of production is very similar to two years ago, according to NAPM's economic forecast, which is based on data compiled from replies to various questions asked of purchasing managers of

[continued on page 17]

### Conference Board Economic Forum Projections

| | 1982 | 1983 | 1984 | Rates of Change 1982/1983 | Rates of Change 1983/1984 |
|---|---|---|---|---|---|
| Gross National Product (Billion $) | $3,073.0 | $3,311.1 | $3,654.7 | +7.7% | +10.4% |
| Real Gross National Product (Billions of '72 $) | $1,485.4 | $1,536.0 | $1,618.2 | +3.4 | +5.4 |
| Consumer Price Index (1967 = 100) | 289.1 | 298.4 | 313.1 | +3.2 | +4.9 |
| Producer Price Index* (1967 = 100) | 280.7 | 285.8 | 299.7 | +1.8 | +4.9 |
| Industrial Production Index (1967 = 100) | 138.6 | 147.6 | 162.1 | +6.5 | +9.8 |
| Corporate Profits Before Tax less IVA (Billion $) | 165.8 | 200.9 | 250.8 | +21.2 | +24.8 |

*Finished Goods

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***Customs eases labeling regulation...***

[continued from page 7]

We believe that this box could be labeled and is not exempt," Customs stated.

Distributors may be forced to use two labels, one on the front and one on the back, for some smaller packages.

Those containers of repackaged fasteners too small for any legible label need not be marked, according to Customs. However, an exemption must be applied for through a U.S. Customs district director (See the accompanying listing).

In reaching its decision regarding fastener distributors, Customs reported on some of the specific difficulties that resulted from full compliance of the regulation. "In order to accurately identify the repackaged contents, commingling must stop," a study noted. "This will result in a vast increase in the warehouse space needed to accomodate a further breakdown of fastener size and variety into source country of origin. Because repackaged assortments are constantly in flux, labels for the new containers would also be in constant flux. Additional man-hours would be required to track the country of origin of every nut and bolt from keg to repackaged assortment. Complex recordkeeping and supervision would also be needed."

Sidney Goodwin, president, Ace Industrial Hardware Co., Camden, NJ, feels that *Regulation 19 CFR 134.25* is good for the country and will help protect those distributors and customers who want to sell and buy American products.

"I think the ruling is right for the country at this time because we realize that we are losing our manufacturing capabilities," Goodwin said.

Not all distributor reaction to the Customs ruling has been positive. Commented Lloyd Hersch, president, Metropolitan Fastener Distributors Assn.: "Although we are going to have to live with this ruling, we are not very happy with it. It is still going to cost a lot of money to repackage our goods."

Enforcement of the new marking rules will be difficult, said Hersch, who is president of Federal Screw & Supply Corp., New York City. "I am afraid that a lot of my competitors are still going to sell foreign goods and not package them according to law. I do not think the government has enough people to be able to police this," he said. □

## Sandvik restructures and elects new officers

Fair Lawn, NJ—Sandvik Inc. has realigned its corporate structure and elected a new slate of officers. The firm has become a holding company, M.D. Hassialis, board chairman, said, and will provide generalized corporate services to its specialized product groups, Sandvik Coromant, Sandvik Steel and Process Systems.

"The reorganization conforms to the revamped structure of the parent, Swedish-based Sandvik AB," Hassialis said. "It is designed to position us to more effectively penetrate the increasingly competitive American market and better serve our expanding list of customers."

Robert W. Schiessler has been named president of Sandvik Inc., succeeding Donald E. Debacher; and Bert A. Fernaeus was elected executive vice president of Sandvik Inc. in addition to his recent appointment as president of Sandvik Coromant. □

# INDUSTRY NEWS...

***1984 Predictions . . .***

*[continued from page 12]*

250 industrial companies. The capacity utilization at members' companies has improved in the last year and a half. 27% are operating at 90% of capacity or above, a change from 19% last May. Based on this optimistic forecast, operating levels are expected to improve from these levels.

By a margin of six to one, reporting members feel that the first quarter of 1984 will be better than the final quarter of 1983. Seventy-seven percent predict the first half of 1984 will be better than the last half of 1983, while 6% think it will be worse. Members predict by a margin of 14 to 1 that the second half of 1984 will be better than the first half.

There may be some price moves ahead, but no severe pressures, according to reporting members. Eighty-five percent feel prices will be higher in the first six months of 1984, while 15% think they will be lower. Ninety-seven percent feel these price increases will be slight or moderate, and three percent predict they will be severe. They also predict the increases will be selective (78%) rather than across the board (22%). ☐

## Certification program offered by Unbrako

JENKINTOWN, PA—Unbrako Div., SPS Technologies, a socket screw manufacturer, is offering customers a product certification program that assures conformance to industry standards and provides product traceability.

Under this certification program, all Unbrako socket screw products are shipped in sealed boxes bearing a unique certification number and the statement: "The material covered by this certificate has been tested in accordance with and has been found to meet the applicable requirements for the material, including any specifications forming a part of the description. Test reports are on file subject to examination."

By using the assigned certification number, a customer can obtain all test results for material chemistry and mechanical properties along with complete traceability back to the steel manufacturer.

Prior to this program, it was necessary for the customer to request a certificate of conformance at the time the order was placed.

"The objective of this new program is to give both distributors and users an even greater level of confidence than was available to them before," said Charles Filippone, president, Unbrako Div. "Unbrako is putting its reputation for quality and integrity right on the box for distributors and customers to see." ☐

## F. Brayton is the new head of the Fauver Co. as J.W. Fauver retires

DETROIT—John W. Fauver has retired from his position as chairman and chief executive officer of the Fauver Co. and is succeeded as chief executive officer by company president Frank Brayton.

**Fauver** **Brayton**

Fauver, son of the company's founder, began his affiliation with the company in 1946 when he joined the firm as a sales engineer. He accepted the responsibilities of chief executive officer and president in 1975, and assumed the position of chairman in 1981.

A past president of the National Industrial Distributors Assn. and a current board member of this organization, Fauver is also a trustee of the Fluid Power Educational Foundation.

New chief executive officer Brayton has been associated with the Fauver Co. for 20 years. He joined the company as a junior sales representative, was subsequently appointed sales engineer and was then selected to establish the firm's Canadian operations.

Brayton was elected vice president of the Fauver Co. in 1977 and the following year became executive vice president and a member of the executive committee. He continued in this capacity until receiving his appointment to the presidency. ☐

## D.S. Goodwin steps up to presidency at Ace Industrial Hardware

CAMDEN, NJ—D. Stuart Goodwin is the new president of Ace Industrial Hardware Co. following a corporate change in which his father, Sidney Goodwin, moved up to chairman of the family-owned business.

In taking over the reins of the company, the new president reported that, "the basic operation of the company will remain the same, while we give special attention to growth opportunities. In that vein, we are in the process of expanding our product lines. We are also getting ready to implement an aggressive marketing campaign."

According to the senior Goodwin, founder of the firm in 1948, "After 35 years, I felt it was time to turn over the day-to-day control of operations here. Stuart has literally grown up on the business and I have every confidence that he will do an outstanding job." ☐

## *Distributors urged to attend ASMMA's Gov't Affairs Conference*

CLEVELAND—Citing the importance of a session on "How Industrial Distributors Can Sell to the U.S. Government," the American Supply & Machinery Manufacturers' Assn. has urged distributors to attend the *1984 ASMMA Manufacturers/Distributors Government Affairs Conference.*

The conference will be held in Washington's Madison Hotel on March 14-15, and will also feature briefings by senatorial, congressional, and White House Representatives.

Another session, entitled, "A New Industrial Policy," will include important news for both manufacturers and distributors, according to ASMMA, who suggests that those interested in attending get and send in a registration form as soon as possible, as there is a limit of 150 registrants.

The registration fee is $200 for all ASMMA, NIDA & SIDA members, plus $100 to register a spouse. The fee includes five meals and two receptions. For more information and a registration form, write to ASMMA, 1230 Keith Bldg., Cleveland, OH, 44115-2180, or phone 216-241-7333.

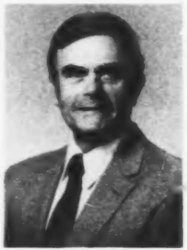
## Butterworth elected new president of Loctite Corp.

NEWINGTON, CT—The new president of Loctite Corp. is Kenneth W. Butterworth, it was announced at the company's annual shareholders meeting. In addition to his new position, Butterworth continues in the role of chief operating officer, responsible for the company's operating groups, its new business development function, and its industrial manufacturing organization.

Butterworth had previously been president of Loctite's International Group, and prior to that president of the company's European Group, headquartered in Paris.

Before joining Loctite in 1976, Butterworth was managing director of Bearing Service Co., the Australian distributor of Locite products. ☐

## Hilty named president of Newcomer Products



LATROBE, PA—Edward S. Hilty has been named president of Newcomer Products Inc., a manufacturer and supplier of metal cutting carbide inserts and specialty cutting tools.

Hilty has been serving as president of Carbidie, a division of Amstar Technical Products Co. He had been with Carbidie since 1968 and was chief executive officer of that company for the past five years. Earlier he had been associated with Youngwood Electronic Metals Inc., and, before that, with Oberg Manufacturing Co. ☐

## Garrity and Scott move up as Porter changes management

PITTSBURGH—The board of directors of H.K. Porter Co. have elected Keith R. Garrity as chairman and chief executive officer of the company. Garrity's former position of president and chief operating officer of Porter will now be handled by Robert M. Scott.

Garrity is also a member of the board of directors of Fansteel Inc. and Missouri Portland Cement Co., in addition to being chairman and chief executive officer of these companies.

Scott was previously vice president and general manager of Porter's Thermoid Div. He joined Porter in 1967 and has served in various management capacities including general product manager, Midwest region manager, general sales manager, rubber group, and works manager, Bellefontaine, OH, works. ☐

## C.R. Wendell becomes new president of Teledyne Firth Sterling

PITTSBURGH—Teledyne Inc. has promoted Charles R. Wendell to president of Teledyne Firth Sterling, a manufacturer of carbide products for the metalworking, die and wear, and earth drilling industries. Wendell had been president of Teledyne Penn Union, and electrical connector producer, for the past five years.

Wendell is a registered professional engineer and holds a B.S. degree in metallurgical engineering. He is also a member of the American Society of Metals. ☐

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***Market turnarounds . . .***

[continued from page 7]

3.1% a year.

Near-term outlook for demand received a significant boost in 1983 with the enactment of the Surface Transportation Act, the study stated.

Municipal and other governmental use constitutes 17% of the market in the 75 cfm and above category. The largest enduse segment is the heavy construction industry, accounting for 57% of the market. Mining and energy development uses represent 15% of the market and should show an increase this year, according to the report.

Homeowners and hobbyists dominate demand in small-capacity compressors, representing 42% of the total market. The light construction industry, commercial/industrial users and the farm segment roughly split most of the balance, accounting for 19%, 18% and 17% respectively.

The market outlook by type of compressor shows a continuation of the trend toward increased domination by rotary screw models.

The U.S. market for pumps and valves used to handle hazardous liquids should experience a real increase of about 24% by 1987, based upon the market research firm's study. Total sales, which fell from $1.24 billion in 1981 to $1.09 billion last year, should reach $1.34 billion by 1987.

Centrifugal and turbine pumps account for about 65% of the market and the remainder is divided almost equally between reciprocating, metering and rotary pumps.

Shipments of U.S.-made valves for hazardous liquid applications fell to $685 million in 1983 from $720 million in 1982 and is expected to rise to $855 million in 1987, the study said.

Frost & Sullivan expects ball and butterfly valves to be increasing their share of the market in hazardous liquid uses. ☐

## Indicators . . .

For the second month in a row the indicators are mixed. After falling slightly in October, the November *NIDA-SIDA Industrial Distribution Index* rose 1.7% to 121.0. The largest single increase was recorded in the eastern region, up 5.7% to 129.8, and the only decline was registered in the southern region, down 1.4% to 123.6. The *NIDA-SIDA Industrial Supply Inflation Index* moved up to 155.5 in November . . . The *SIDA Monthly Sales Trend Report* for October recorded a slight increase of 0.91 points over the previous month while showing sales to be 7.82 points ahead of October, 1982. Year-to-date figures have 1983's sales 3.33 points behind the previous year . . . The *ASMMA New Order Index* rose 1.6 points to 106.6 in October, up 1.5% from September . . . According to the American Machine Tool Distributors' Assn., sales of new machine tools in the U.S. by distributors fell 9.8% in October as compared to September and the *Distributors New Orders Trend* (a 12 month moving average) posted its sixth consecutive increase as it registered a 0.8% increase in October over the previous month. Sales of metal cutting machine tools fell 9.6% in October, while metal forming machine tool sales dropped 11.4% . . . Net new orders for machine tools were up 30.3% in October when compared to September, and shipments rose 9%, reports the National Machine Tool Builders Assn. Compared to October, 1982 totals, October, 1983's orders were up 70% while shipments were down 29% . . . The National Welding Supply Assn.'s *Welding Supply Index* dropped to 155.9 in October from the previous month's 159.5. Despite the decline, the October reading is considered strong . . . The National Wholesale Hardware Assn.'s *Hardware Sales Index* moved to 107.5 for October, up from September's 103.6. However, average daily sales were down 2.2% for October when compared to the previous month . . . *The Purchasing Managers' Composite Index*, prepared by the National Assn. of Purchasing Management, registered 62.9% in November, up from 61.2% in October.

# REGIONAL REPORT

## November sales at high mark

Sales figures for November '83 compared to November '82 indicate an increase of 17% nationwide, the highest percentage gain since the recovery in industrial distribution began last May.

All of the regions reporting show healthy gains in double digits. The Mountain region indicates exceptionally strong gains for both specialists and general liners, while New England, Upstate New York and East North Central continue their good gains of the previous month.

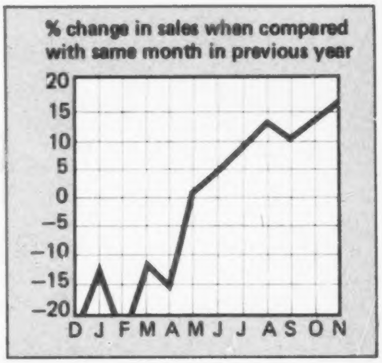
The first 11 months of '83 compared to '82 indicates most regions of the country have overcome the poor first quarter and, in some cases, the first half of '83 with good gains in the second half. Not all regions are home free, however, as the West North Central and the Middle Atlantic still show negative figures. Both these regions had negative results in this category in both September and October.

In month-to-month reporting, the rate of improvement in sales seems to have leveled off. The country as a whole indicates 0 or even. This compared with a figure of − 1 for both September and October. It is expected that if the recovery is slowing, these figures will dip deeper into the negative area in the next few months, as the rate of sales gains diminishes.

Receivables show little change in average days outstanding when compared to '82, as well as to last month's figures. The lowest figures are in the Pacific and South Atlantic; the highest, Middle Atlantic.

| RECEIVABLES* | Nov. '83 | | Nov. '82 | |
|---|---|---|---|---|
| | Gen. | Spec. | Gen. | Spec. |
| **New England** | 39 | 49 | 42 | 53 |
| **Middle Atlantic** | 46 | 46 | 43 | 45 |
| **South Atlantic** | 39 | 36 | 35 | 37 |
| **East North Central** | 37 | 46 | 36 | 45 |
| **East South Central** | 40 | — | 38 | — |
| **West North Central** | — | 37 | — | 40 |
| **West South Central** | — | — | — | — |
| **Mountain** | — | — | — | — |
| **Pacific** | 34 | 39 | 35 | 41 |
| **National** | 39 | 42 | 38 | 45 |

*Average days outstanding



**November sales hit recovery high . . .**

| SALES BY REGIONS (% change) | Nov. '83 vs Oct. '83 | | | Nov. '83 vs Nov. '82 | | | 1st 11 mos. '83 vs 1st 11 mos. '82 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gen. | Spec. | Both | Gen. | Spec. | Both | Gen. | Spec. | Both |
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | +13 | −2 | +9 | +17 | +32 | +21 | −2 | +7 | +1 |
| Connecticut | — | — | — | +26 | — | — | −4 | — | — |
| Massachusetts | −4 | — | — | +7 | — | — | −4 | — | — |
| **MIDDLE ATLANTIC:** NY, NJ, PA | −3 | +5 | +2 | +19 | +14 | +11 | −10 | −5 | −7 |
| New York Metropolitan Area | — | — | — | — | — | — | — | — | — |
| Upstate New York | −6 | +8 | +2 | +10 | +33 | +22 | −6 | −1 | −4 |
| Pennsylvania | −11 | −5 | −8 | +11 | +13 | +12 | −10 | +4 | −3 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, SC, VA, WV | +4 | −7 | −2 | +27 | +9 | +18 | +4 | +9 | +6 |
| Georgia-Florida | — | −6 | — | — | +6 | — | — | +9 | — |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | −2 | +2 | 0 | +24 | +31 | +27 | +10 | +8 | +9 |
| Indiana | — | +22 | — | — | — | — | — | +25 | — |
| Wisconsin | −14 | +3 | −2 | +19 | — | — | +5 | +11 | +9 |
| Chicago | — | — | — | — | — | — | — | — | — |
| Michigan | −2 | — | — | +5 | — | — | +5 | — | — |
| Ohio | −1 | — | — | — | — | — | +14 | — | — |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | +8 | — | — | +34 | — | — | +1 | — | — |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | — | +7 | −8 | −13 | — | +16 | −15 | +3 | −4 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | 0 | −7 | 0 | +16 | −9 | +16 | — | −19 | — |
| Texas | — | −16 | — | — | +16 | — | — | −19 | — |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | −3 | −22 | −13 | +36 | +24 | +30 | +13 | +4 | +8 |
| **PACIFIC:** CA, OR, WA | −1 | +2 | 0 | — | — | — | −2 | +10 | +4 |
| L.A.-San Diego | — | — | — | — | — | — | — | — | — |
| Oregon-Washington | +2 | 0 | +1 | +14 | +21 | +16 | −6 | +5 | 0 |
| **U.S. TOTALS** | 0 | 0 | 0 | +16 | +19 | +17 | +2 | +3 | +3 |

# NOTE

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58-59.

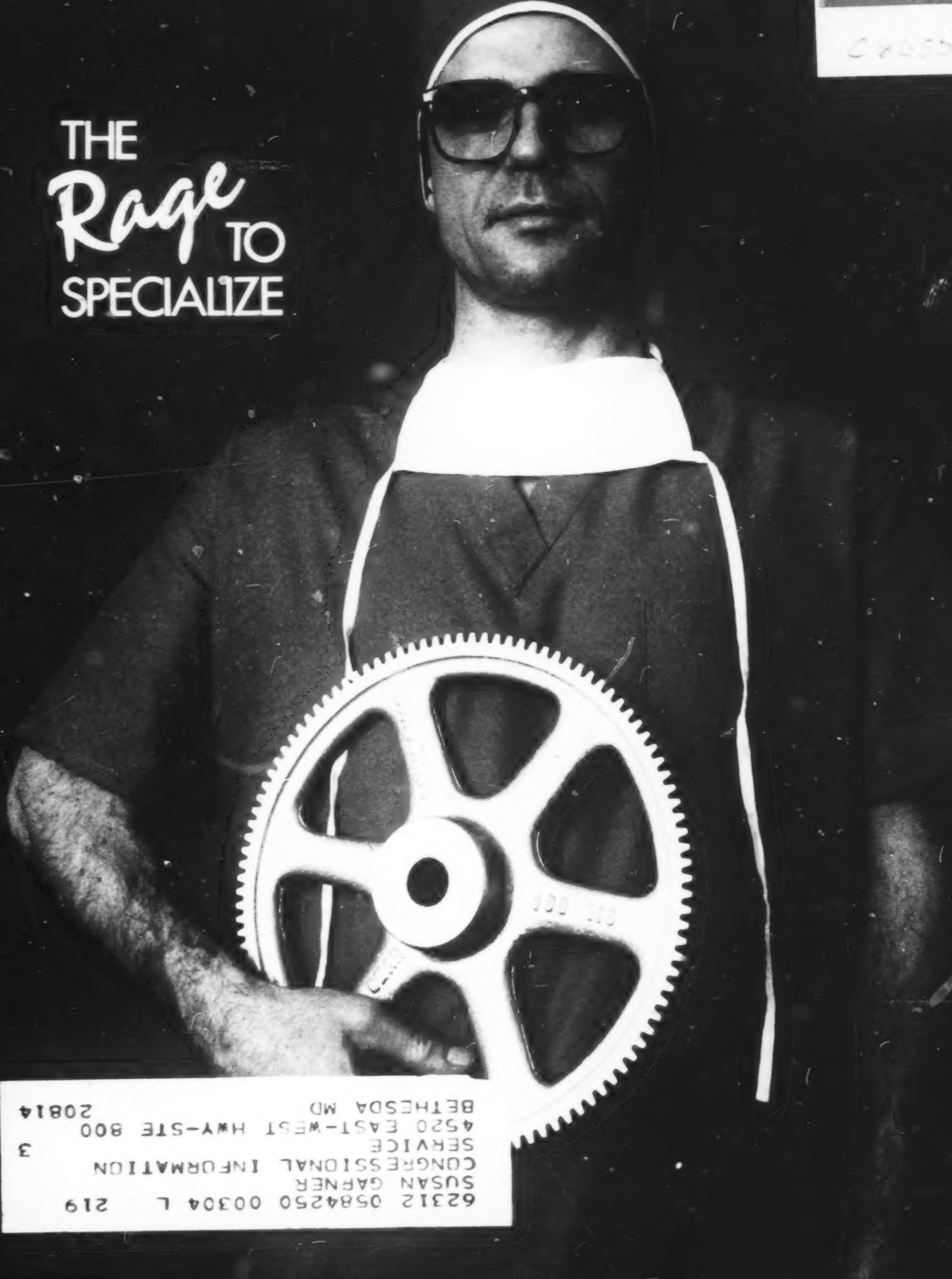
# Industrial Distribution

March 1984

Hotline:
Distributors vocal about candidates' commitment to small business

3/12/84
C8455-6.1

## THE *Rage* TO SPECIALIZE



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Cover photo: Rick Barrick

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## Briggs-Weaver expands inventory and begins distribution of electronics MRO supplies

DALLAS—Briggs-Weaver Inc. has added a new line of products to its inventory and the company will now be distributing electronics MRO supplies. The 87-year-old, 24-location firm has historically served the oil-related, manufacturing and defense industries.

The industrial distributor has added thousands of items representing over 150 manufacturers to its inventory. Items include antistatic and conductive materials, test equipment and accessories, soldering systems, computer care products, and precision tools.

Briggs-Weaver group vice president Ron Eitzen said that the fast-growing electronics field presents a major expansion opportunity for the distributor.

"While the energy industry seesawed its way through highs and lows over the past few years," Eitzen said, "the electronics industry has shown a steady 14% increase that seems destined to continue well past the '80s. Not only has the electronics industry itself grown, but electronics have made dramatic inroads into heavy industry as well."

According to the executive, the once clearly defined boundaries between electronics and heavy industry are becoming less distinct, and it is a natural progression for Briggs-Weaver to move into the electronics area. Microprocessors now control the feed rate and cutting depth of machine tools, and robots are becoming more common-place on the assembly line.

"We have had many items that were cross-over products useful to the electronics service industries," stated Bob DeHollander, electronics specialist, "but more and more demands were coming to us for a wider variety of products. It became apparent there was a demand and as a multi-line distributor we have been able to meet that demand with a large introductory inventory. Our move was further supported by the trend of customers toward one-source suppliers."

Because of acquisition costs, specifically high shipping costs, many companies purchasing the low-ticket consumables found in the electronics industry are turning to one-source purchasing, DeHollander said.

As a complement to the new line of electronics products, Briggs-Weaver is offering customers custom-assembled electronics tool kits. The kits range in size from 50 to hundreds of precision tools for electronics service and field technicians.

Most of the company's electronics inventory will be distributed out of the Dallas warehouse, but products will gradually be phased into the firm's other locations as the demand in their areas grows, Eitzen said. ☐

## Construction equipment distributors predict expanding business for 1984

OAK BROOK, IL—Construction equipment distributors are expecting to serve an expanding market during 1984, according to their responses to a recent Associated Equipment Distributors' business outlook survey. About 300 U.S. and Canadian distributor members of the trade association participated in the survey.

Distributors expect median gross sales to jump 12% during 1984, building upon a median 7% increase during 1983. Optimism for this year holds true all across the U.S. and Canada and for distributors of all types of equipment and products. This forecast marks the first AED survey since the late 1970s to reflect such widespread confidence.

Based on this confidence, six of ten distributors said they plan to rehire or add employees this year. Some distributors that had shortened workweeks plan to resume normal schedules in 1984.

Almost half of the survey participants plan to add new product lines. These additions continue the trend first apparent at mid-year 1983 when about one-third of distributors in a similar survey said they were adding a new product group. Many distributors in this most recent poll said they will expand marketing efforts for newly acquired lines.

About one-third of the respondents anticipate investing in improvements or additions to their facilities to boost their capability for full customer service, and about 15% of the respondents expect to make other capital improvements, such as opening new branch locations.

Distributors across the board, 97% of all respondents to the AED survey, expect to record a before-tax-net profit in 1984. ☐

### Regional Outlook 1984 sales

| Region | New Equipment | Used Equipment | Rentals | Parts | Service | Supplies |
|---|---|---|---|---|---|---|
| **1** (New England) | + 10.0% | + 5.0% | + 9.2% | + 10.0% | + 5.0% | + 10.0% |
| **2** (NJ, NY) | + 10.0 | + 7.5 | + 10.0 | + 10.0 | + 10.0 | + 10.0 |
| **3** (Penn.) | + 10.0 | + 10.0 | + 15.0 | + 10.0 | + 5.0 | + 10.0 |
| **4** (Mid-Atlantic) | + 9.0 | + 10.0 | + 9.0 | + 10.0 | + 5.0 | + 10.0 |
| **5** (Southeast) | + 10.0 | + 10.0 | + 10.0 | + 10.0 | + 10.0 | + 10.0 |
| **6** (Ky., Ohio) | + 10.0 | + 6.5 | + 10.0 | + 10.0 | + 5.0 | + 7.5 |
| **7** (Midwest) | + 10.0 | + 10.0 | + 10.2 | + 10.0 | + 10.0 | + 12.5 |
| **8** (Upper Midwest) | + 10.0 | + 15.0 | + 5.0 | + 10.0 | + 10.0 | + 3.0 |
| **9** (Plains states) | + 10.0 | + 10.0 | + 10.0 | + 10.0 | + 10.0 | + 10.0 |
| **10** (Ok., Texas) | + 10.0 | + 10.0 | + 20.0 | + 10.0 | + 10.0 | + 10.0 |
| **11** (West) | + 11.0 | + 8.5 | + 12.5 | + 10.0 | + 7.0 | + 7.5 |
| **12** (Pacific NW) | + 5.0 | + 5.0 | + 7.5 | + 7.5 | + 10.0 | + 12.5 |
| **13** (South Central) | + 15.0 | + 16.5 | + 10.0 | + 20.0 | + 15.0 | Same |
| **14** (Rocky Mountain) | + 5.0 | + 10.0 | + 10.0 | + 10.0 | + 10.0 | + 10.0 |
| (Canada) | + 5.0 | + 5.0 | + 10.0 | + 8.0 | + 5.0 | + 5.0 |

*Median percentages*
*First Half 1984 vs. First Half 1983*

[continued on page 13]

[continued from page 14]

that organized the leveraged buyout; members of the operations senior management; and a group of institutional investors comprised of Merrill Lynch Interfunding Inc., and First Capital Corp. of Chicago. Eaton will retain 10% of the Company.

Yale will continue to headquarter and manufacture in Forrest City as well as produce its Little Mule product line and maintain its warehouse and distribution center in Ft. Lauderdale, FL. ☐

## Daniels retires as head of Garrett Industrial Supply

LOS ANGELES, CA—Robert L. Daniels, corporate vice president and division manager and the senior employee worldwide of The Garrett Corp., credited with 45 years of service, has retired as of January 1, 1984. He is succeeded by David C. Duff, who was the assistant division manager of Industrial Supply.

Daniels was hired in June 1939 as a temporary helper, and later was permanently hired as a salesman. He has been with the company ever since, except for two and a half years in the U.S. Army Air Force during WWII.

Duff joined Garrett in 1959 as a preliminary design engineer and became manager of distributor operations in 1981. ☐

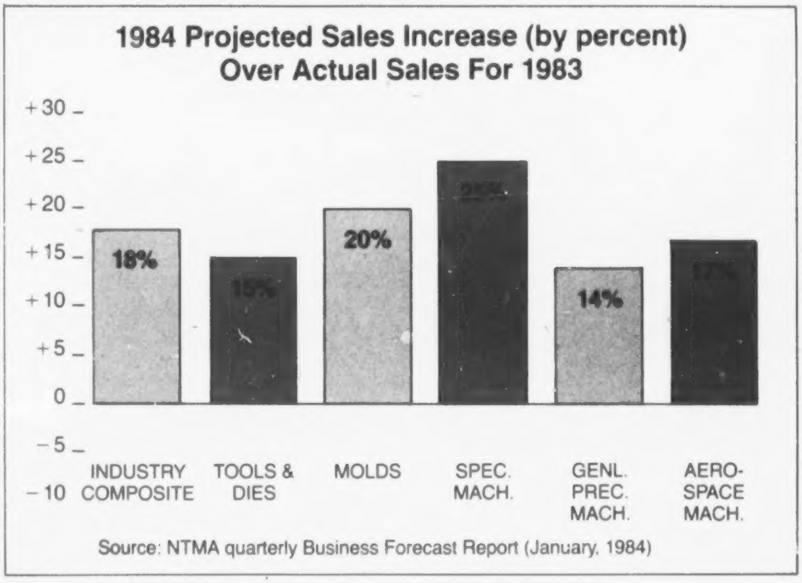
## ITC to investigate SKF Industries' patent infringement complaint

KING OF PRUSSIA, PA—The U.S. International Trade Commission has voted unanimously to investigate a complaint of patent infringement filed by SKF Industries against FAG Bearings Corp., Stamford, CT, and FAG Kugelfischer Georg Schafer & Co., Schweinfurt, West Germany.

The complaint alleges that the "E" type spherical roller bearing supplied by FAG infringe the claims of SKF's patent on its "CC" type spherical roller bearing. A ruling favorable to SKF could result in a ban on the importation of "E" type spherical bearings and prohibit FAG from marketing existing "E" bearing inventories.

SKF filed the complaint with the ITC on December 5 of last year and the ITC has 12 months to formulate a ruling. ☐

## 1984 NTMA sales forecast to increase 18% over 1983



Source: NTMA quarterly Business Forecast Report (January, 1984)

WASHINGTON—Compared to 1983 figures, over-all sales (shipments) of National Tooling and Machining Assn. member companies are forecast to improve by 18% during 1984, according to the association's January *Business Forecast Report*. This figure compares favorably to the 11% gain in 1984 that had been predicted in previous NTMA reports.

"The NTMA special machines sector is enjoying the sharpest rebound," states the NTMA report. "This sector was extremely depressed, so even a mild upturn can create a relatively large statistical gain."

Shipments for special machines are forecast to increase by 25% in 1984 over last year. Molds should increase by 20% and the tools, dies and fixtures sector is forecast to be up 15%. The aerospace machining and fabrication sector and the general precision machining sector are expected to improve by 17% and 14% respectively this year.

The report stated that "a recently conducted quarterly national telephone survey of selected NTMA member companies . . . indicated that activity in customer requests for quotations has begun to improve. Within the past several weeks there has been a marked pick-up in contract awards; and even more recently we have seen a slight improvement in the quality of contract award prices."

The report cautioned that "despite the general improvement in NTMA related market prospects, certain customer industries continue to be depressed." ☐

## PTDA announces first annual performance award winner

PARK RIDGE, IL—The Power Transmission Distributors Assn. has chosen Stephens-Harris Associates of New Orleans, LA as the winner of the industry's first annual award for performance excellence. The *Trailblazer Performance Award* gives recognition to a member firm of the association whose people excelled in all phases of their operation to generate outstanding productivity.

The winning company's 400% gain in employee productivity over the past few years stimulated a four-fold sales growth, and Stephens-Harris and Associates was given the award for its excellent management strategy and plans under the guidance of its president, Ed Stephens.

The award contest was open to all PTDA member firms, and entrants were asked to describe their methods and efforts that led to improved performance through maximum team effort. A panel of university business professors evaluated the entries.

Key considerations used in evaluating entries included: consistent planning; prac-

[continued on page 20]

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# INDUSTRY NEWS...

## Indicators . . .

Indicators continue to be mixed. The *NIDA-SIDA Industrial Distribution Index* dropped as it moved from November's 121.0 to December's level of 119.4, a 1.3% decline. The eastern region continued to show improvement, rising 0.4% to 130.3, while all of the other regions declined. The largest downturn, 3.4%, was registered in the midwest. The *NIDA-SIDA Industrial Supply Inflation Index* rose 0.5% in December to 156.3. This was the largest single increase in inflation recorded since February 1983 . . . According to the *SIDA Monthly Sales Trend Report*, sales showed a decline of 4.36 points for November from the previous month. November had sales 21.52 points above November, 1982 and year-to-date figures have 1983's sales 3.3 points ahead of the previous year . . . The *ASMMA New Order Index* was up to 109.1 for November, an increase of 2.5 points, or 2.3%, from the previous month . . . New machine tool sales by distributors were up 36.8% in November from the previous month and the *Distributors New Orders Trend* posted a 6.6% rise from its October level and now stands at 51.4, according to the American Machine Tool Distributors' Assn. Sales of metal cutting machine tools were up 38.5% in November while sales of metal forming machine tools rose 26.2% . . . According to the National Machine Tool Builders' Assn., net new orders declined by 20.9% in November from October totals, and shipments were up 1.4%. Compared to November, 1982 totals, November, 1983's orders were up 81.6% while shipments were down 23.8% . . . The *Welding Supply Index*, compiled by the National Welding Supply Assn., registered 150.9 for November, down 5.0 points, or 3.2%, from the previous month. Despite the decline, the reading is considered indicative of a strong performance when compared with previous similar periods . . . The National Wholesale Hardware Assn.'s *Hardware Sales Index* stood at 112.1 for November, up 4.6 points from the previous month. Average daily sales by distributors advanced 3.5% in November when compared with October . . . The *Purchasing Managers' Composite Index*, prepared by the National Assn. of Purchasing Management, registered 67.2% in December.

**PTDA awards . . .**

tical strategies; percent sales volume growth; company's training and education efforts; customer service with emphasis on first-hand knowledge of customer's needs; and company's code of ethics.

Ray Eurich, Executive Vice President of PTDA, pointed out that by "sharing strategic insights, the association hopes to stimulate other distributors to better plan and sharpen their programs for management excellence." ☐

## John C. Bath retires after 42 years in the cutting tool industry

WORCESTER, MA—John C. Bath has retired from his position as president of John Bath & Co. Bath, with 42 years of service in the cutting tool industry, is presently serving as president of the Metal Cutting Tool Industry, a Cleveland-based association of domestic manufacturers of rotary type metal cutting tools.

Bath joined John Bath & Co. as a trainee in 1942 and gradually assumed increased responsibility until he was appointed president in 1971.

Tom Wright, president, New York Twist Drill Corp., parent company of John Bath & Co., viewed Bath's retirement with mixed feelings, he said. While wishing him well, Wright regretted that his company would be losing a nationally recognized name in the cutting tool industry. ☐

## PTDA elects Roamer new Assn. president

PARK RIDGE, IL—E.C. Roamer, owner and president of Badger Bearing Co., Milwaukee, has been elected to head the 400-member companies Power Transmission Distributors Assn.

Under Roamer's leadership, the PTDA is expected to focus its resources on helping American manufacturers compete more effectively in a world market through added value engineered products and services.

Roamer joined Badger Bearing in 1960 and purchased sole ownership of the 50-employee firm in 1970. ☐

# REGIONAL REPORT

## December sales hit new peak

The recovery in yearly comparison sales figures for December surged to another new high in registering an increase of 24% nationwide.

The regions reporting outstanding figures were East North Central, 35%; New England, 26%; South Atlantic, 24%; Middle Atlantic, 17%; and Mountain, 16%.

In area reporting, Wisconsin led the states with 28%, followed by Massachusetts at 24%, Pennsylvania at 16%, and Upstate New York at 13%. There were no negative figures reported, however, Oregon-Washington barely managed a 1% gain which helped pull down the Pacific region's overall figures.

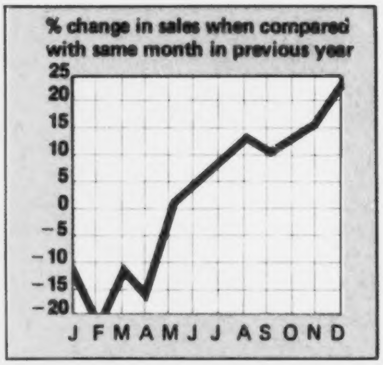
Cumulative Sales for '83 measured against '82, ended the year with a 1% gain. This figure has climbed steadily since reaching its low of − 12% last March, still holding to a negative 9% as late as June. It took a very strong second half of '83 to finally bring this figure into the plus column by year's end. The best turnaround figures from a region came from East North Central, 12%; from the states, Ohio, 14%; Wisconsin, 9%; and Massachusetts, 7%.

In the most immediate trend indicator, the monthly comparisons, a small gain of only 1% was reported for December with several negatives scattered throughout the list. Although yearly sales comparisons are still highly favorable, the rate of monthly sales gains has evidently slowed, thus questioning the extent of the expansionary phase following the business recovery.

In receivables, no change is discernible in yearly comparisons nor in comparison to November's figures. □

| **RECEIVABLES*** | Dec. '83 Gen. | Dec. '83 Spec. | Dec. '82 Gen. | Dec. '82 Spec. |
|---|---|---|---|---|
| **New England** | 37 | 45 | 42 | 45 |
| **Middle Atlantic** | 43 | 46 | 42 | 46 |
| **South Atlantic** | 35 | 36 | 34 | 36 |
| **East North Central** | 39 | 61 | 39 | 55 |
| **East South Central** | — | — | — | — |
| **West North Central** | — | 39 | — | 39 |
| **West South Central** | — | 43 | — | 43 |
| **Mountain** | — | — | — | — |
| **Pacific** | 40 | 36 | 37 | 43 |
| **National** | 39 | 44 | 39 | 44 |

*Average days outstanding



**New recovery high in December . . .**

| **SALES BY REGIONS (% change)** | Dec. '83 vs Nov. '83 Gen. | Spec. | Both | Dec. '83 vs Dec. '82 Gen. | Spec. | Both | 1st 12 mos. '83 vs 1st 12 mos. '82 Gen. | Spec. | Both |
|---|---|---|---|---|---|---|---|---|---|
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | −7 | −2 | −4 | +30 | +23 | +26 | −2 | +7 | +3 |
| Connecticut | −16 | +9 | −9 | — | — | — | −1 | +3 | 0 |
| Massachusetts | +3 | −3 | −2 | +21 | +26 | +24 | −1 | +10 | +7 |
| **MIDDLE ATLANTIC:** NY, NJ, PA | +1 | +6 | +4 | +10 | +21 | +17 | −8 | −10 | −10 |
| New York Metropolitan Area | — | — | — | — | — | — | — | — | — |
| Upstate New York | +1 | +4 | +2 | +3 | +30 | +13 | −9 | −1 | −6 |
| Pennsylvania | +12 | +8 | +9 | +22 | +13 | +16 | −8 | +6 | 0 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, SC, VA, WV | −2 | +10 | +4 | +32 | +17 | +24 | −4 | +12 | +4 |
| Georgia-Florida | — | — | — | — | — | — | — | — | — |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | −5 | +4 | +2 | +34 | +37 | +35 | +14 | +9 | +12 |
| Indiana | — | +4 | — | — | — | — | — | — | — |
| Wisconsin | +3 | +2 | +2 | +17 | +30 | +28 | +7 | +10 | +9 |
| Chicago | — | — | — | — | — | — | — | — | — |
| Michigan | 0 | — | — | — | — | — | +10 | — | — |
| Ohio | −14 | −6 | −12 | — | — | — | +17 | +8 | +14 |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | +7 | −5 | 0 | — | — | — | — | — | — |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | — | −8 | — | — | +5 | — | — | +4 | — |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | — | +8 | — | — | +13 | — | — | −10 | — |
| Texas | — | +11 | — | — | +19 | — | — | −10 | — |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | −5 | +15 | +5 | +13 | +18 | +16 | +3 | +5 | +4 |
| **PACIFIC:** CA, OR, WA | −6 | 0 | −4 | +1 | +17 | +6 | −7 | +2 | −4 |
| L.A.-San Diego | — | — | — | — | — | — | — | — | — |
| Oregon-Washington | −4 | −4 | −4 | −3 | +8 | +1 | −11 | +[illegible] | −6 |
| **U.S. TOTALS** | −4 | +5 | +1 | +27 | +22 | +24 | +1 | +1 | 1 |

# *ID's* QUARTERLY INFLATION INDEX

For the entire year of 1983 the *Silver*/***ID*** **Index** of industrial commodities went up by only 2.0%, 30% lower than the 2.6% rise in 1982. But price indexes in plumbing and heating and in electrical commodities in 1983 rose by 4% or more, an inflation rate about 50% higher than their rise in 1982. *The Consumer Price Index* (CPI) also rose by almost 4% in 1983, about the same rate as in 1982. See Table 1.

The substantial rise in housing starts for the entire year of 1983 undoubtedly contributed to the turnaround in the inflation rate in plumbing/heating and electrical products. In January of 1983 unit sales in the *NIDA/SIDA Index* were running 25% below their rate for the same period of 1982, but by November unit sales for the current month were running 10% higher than for the same month in 1982. If the economy continues to improve in 1984 it therefore seems to be reasonable to assume that the prices of industrial commodities stocked by ***ID*** readers will show a higher inflation rate in 1984 than in 1983, although nothing like the annual 8% to 12% rise in the 1979-1981 period.

At a 4% inflation rate, LIFO (no tax on inflation) will again be very attractive for rhw 55% of industrial distributors who have not yet switched from non-LIFO inventory valuation methods according to ***ID***'s survey of operations for 1982 (***ID***, July 1983).

Table 2 shows the inflation indexes for the commodity groups in the Silver/***ID*** *Index*. Only two of the 33 lines in the index went up by more than 6% (plastic products and builders' hardware). Five lines ended the year at lower price levels than a year ago, but only slightly lower. The rest of the active lines rose by 3% or less.

Note our graph showing the annualized rate of price changes for our index from the end of 1981 through the end of 1983, quarter by quarter, the two years for which our index has been published. Note that at the beginning of 1982 the inflation rate was still 7% on an annualized basis. At the end of 1983 the annualized rate was only 1.2%! □

---

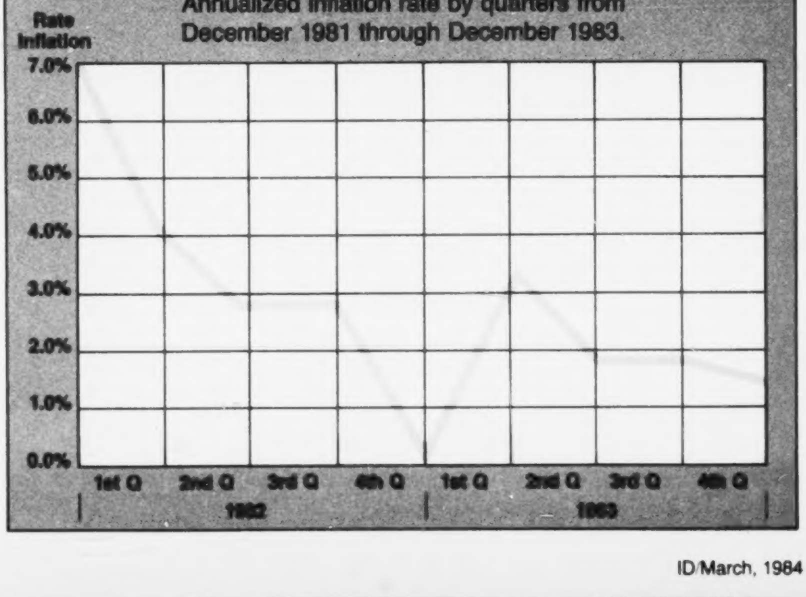
*Compiled by Alan Silver Associates, Inc., Highland Park, NJ*

**Table 1—Comparing inflation indexes**

| | *BLS inflation rates (%) | | | |
|---|---|---|---|---|
| | Current qtr 12/83 vs 9/83 annualized | Year-to-date 12/83 vs 12/82 annualized | 12/83 vs 12/82 | 12/82 vs 12/81 |
| Silver/*ID* index of 33 industrial product groups | 1.2% | 2.0% | 2.0% | 2.6% |
| NIDA/SIDA index of 16 industrial product groups | 3.6% | 1.7% | 1.7% | 3.0% |
| **PPI index of industrial commodities | 1.6% | 1.1% | 1.1% | 1.6% |
| Avg. of above indexes | 2.1% | 1.6% | 1.6% | 2.4% |
| **PPI index of finished goods (indl/agric) | 2.8% | 0.7% | 0.7% | 3.6% |
| Silver/Wholesaler index of 19 lines (plmgb/htng) | 2.4% | 4.0% | 4.0% | 2.3% |
| Electrical Marketing index of 24 product groups | 2.8% | 4.2% | 4.2% | 3.2% |
| ***NAED inflation index: 16 product groups | 2.8% | 6.6% | 6.6% | 4.8% |
| Consumer Price Index | 2.4% | 3.8% | 3.8% | 3.9% |

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Upcoming reports will follow the above format.

**The Silver/*I.D.* Inflation Index**
Annualized inflation rate by quarters from December 1981 through December 1983.



## Table 2—ID quarterly inflation index (1967 = 100)

| Col. 1 | Col. 2 | Col. 3 | Col. 4 | Col. 5 | Col. 6 | Col. 7 | Col. 8 | Col. 9 | Col. 10 | Col. 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Product category** | **Current qtr 12/83** | **Previous qtr 9/83** | **% inflation** | **Current qtr. annualized %** | **Year-to-date 12/83 vs 12/82 %** | **Year-to-date 12/83 vs 12/82 annualized %** | **Last 12 months** | **4th qtr 82** | **4th qtr 81** | **Annual inflation 82 %** |
| Industrial oil | — | 368.7 | — | — | — | — | — | 372.9 | 359.8 | 3.6 |
| Prepared paint | 264.9 | 264.5 | 0.2 | 0.8 | −0.1 | −0.1 | −0.1 | 265.1 | 256.7 | 3.3 |
| *Rubber belts & belting | 334.1 | 329.5 | 1.4 | 5.6 | 1.8 | 1.8 | 1.8 | 328.1 | 312.3 | 5.1 |
| Other misc. rubber products | 298.2 | 305.2 | −2.3 | − 9.2 | 1.3 | 1.3 | 1.3 | 294.3 | 277.6 | 6.0 |
| Plastic construction products | 170.2 | 169.9 | 0.2 | 0.8 | 11.2 | 11.2 | 11.2 | 153.1 | 153.4 | −0.2 |
| Semi-finished steel products | 370.0 | 371.1 | −0.3 | − 1.2 | 0.4 | 0.4 | 0.4 | 368.7 | 347.5 | 6.1 |
| Wire & cable | 201.5 | 203.8 | −1.1 | − 4.4 | 1.7 | 1.7 | 1.7 | 198.1 | 206.7 | −4.2 |
| Electric wire & cable | 103.2 | 103.2 | 0.0 | 0.0 | 3.2 | 3.2 | 3.2 | 100.0 | — | — |
| Building wire & cable | 104.9 | 107.9 | −2.8 | −11.2 | 4.9 | 4.9 | 4.9 | 100.0 | — | — |
| Builders hardware | 290.7 | 289.0 | 0.6 | 2.4 | 6.6 | 6.6 | 6.6 | 272.6 | 266.1 | 2.4 |
| *Hand tools | 351.0 | 345.4 | 1.6 | 6.4 | 2.6 | 2.6 | 2.6 | 342.1 | 323.3 | 5.8 |
| *Misc. metal products | 289.3 | 287.7 | 0.6 | 2.4 | 0.2 | 0.2 | 0.2 | 288.7 | 281.4 | 2.6 |
| Industrial safety eq. | 133.5 | 134.3 | −0.6 | −2.4 | 2.2 | 2.2 | 2.2 | 130.6 | 125.1 | 4.4 |
| *Bolts, nuts, screws & rivets (fasteners) | 271.7 | 266.6 | 1.9 | 7.6 | 0.6 | 0.6 | 0.6 | 270.0 | 269.3 | 0.3 |
| *Power-drive hand tools | 220.9 | 220.4 | 0.2 | 0.8 | −0.3 | −0.3 | −0.3 | 221.6 | 214.7 | 3.2 |
| Welding machines & eq. | 273.2 | 273.0 | 0.1 | 0.4 | 0.04 | 0.04 | 0.04 | 273.1 | 270.0 | 1.1 |
| *Cutting tools & accessories | 275.8 | 275.3 | 0.2 | 0.8 | 1.4 | 1.4 | 1.4 | 272.1 | 263.9 | 3.1 |
| Precision measuring tools | 244.4 | 245.5 | −0.4 | −1.6 | 1.2 | 1.2 | 1.2 | 241.5 | 233.1 | 3.6 |
| *Abrasive products | 305.2 | 303.7 | 0.5 | 2.0 | 2.3 | 2.3 | 2.3 | 298.4 | 285.7 | 4.4 |
| Metal cutting machine tools | 379.3 | 377.5 | 0.5 | 2.0 | 1.8 | 1.8 | 1.8 | 372.7 | 359.1 | 3.8 |
| Metal forming machine tools | 422.6 | 415.5 | 1.7 | 6.8 | 2.6 | 2.6 | 2.6 | 411.8 | 389.2 | 5.8 |
| Pumps, compressors & eq. | 346.3 | 345.8 | 0.1 | 0.4 | −0.5 | −0.5 | −0.5 | 348.2 | 338.2 | 2.9 |
| Fluid power eq. | 254.3 | 253.8 | 0.2 | 0.8 | 2.2 | 2.2 | 2.2 | 248.9 | 234.0 | 6.4 |
| *Industrial material handling eq. | 286.5 | 285.3 | 0.4 | 1.6 | −0.1 | −0.1 | −0.1 | 286.9 | 284.6 | 0.8 |
| *Mechanical power transmission eq. | 320.4 | 315.6 | 1.5 | 6.0 | 2.7 | 2.7 | 2.7 | 312.0 | 306.6 | 1.8 |
| *Metal valves, (except fluid power) | 100.1 | 99.5 | 0.6 | 2.4 | 0.1 | 0.1 | 0.1 | 100.0 | — | — |
| *Metal pipe fittings | 103.3 | 100.8 | 2.5 | 10.0 | 3.3 | 3.3 | 3.3 | 100.0 | — | — |
| Ball & roller bearings | 333.2 | 332.2 | 0.3 | 1.2 | −0.6 | −0.6 | −0.6 | 335.3 | 321.6 | 4.3 |
| Plain bearings | 260.0 | 263.5 | −1.3 | − 5.2 | 1.2 | 1.2 | 1.2 | 257.0 | 271.6 | −5.4 |
| Wiring devices | 341.9 | 336.6 | 1.6 | 6.4 | 4.3 | 4.3 | 4.3 | 327.8 | 318.9 | 2.8 |
| Electrical instruments | 274.8 | 274.8 | 0.0 | 0.0 | 4.9 | 4.9 | 4.9 | 261.9 | 243.8 | 7.4 |
| Electric motors | — | — | — | — | — | — | — | 298.8 | 284.1 | 5.2 |
| Generators & generator sets | — | — | — | — | — | — | — | 331.1 | 359.8 | −8.0 |
| *NIDA/SIDA composite | 299.1 | 296.3 | 0.9 | 3.6 | 1.7 | 1.7 | 1.7 | 294.2 | 285.5 | 3.0 |
| Silver/ID composite | 290.8 | 289.9 | 0.3 | 1.2 | 2.0 | 2.0 | 2.0 | 285.2 | 278.1 | 2.6 |

*Included in NIDA/SIDA composite

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# NOTE

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# Industrial Distribution

April 1984

**Hotline:**
**Purchasing managers see slowdown but expect the recovery to continue**

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08650-6A

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## COMPETING *in the '80s*

## FASTENERS SHOWCASE
(PULL-OUT SECTION)

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# INDUSTRY NEWS...

## Indicators . . .

The economy continues to appear favorable as most indicators are up. After falling the previous month, the *NIDA-SIDA Industrial Distribution Index* rose sharply in January to a level of 121.7. All regions registered increases with the largest improvement being recorded in the midwestern region, up 15.3 points to 118.8. The *NIDA-SIDA Industrial Supply Inflation Index* continued its upward movement and hit 156.5, a slight increase over last month's 156.3 . . . The *SIDA Monthly Sales Trend Report* for December recorded an increase of 6.38 points over the previous month while showing sales to be 28.41 points ahead of December, 1982. Year-to-date figures place 1983's sales 8.56 points ahead of the previous year . . . The *ASMMA New Order Index* rose 3.5 points to 112.6 in December, up 3.2% from November . . . According to the American Machine Tool Distributors' Assn., sales of new machine tools in the U.S. by distributors fell sharply in December, yet posted the third best sales month of 1983. The *Distributors News Orders Trend* now stands at 52.2. For the year, new machine tools sales topped 1982 by 7.2%. During 1983, the largest gains were posted in the metal forming area, which finished 45.9% ahead of 1982. Sales of metal cutting machine tools showed a 2.4% increase in 1983 . . . Net new orders for machine tools declined 6.0% in December from the previous month, and shipments rose 61%, reports the National Machine Tool Builders' Assn. For the year, machine tool orders rose 13% over 1982, however, shipments dropped 49% from 1982's figures . . . The National Welding Supply Assn's *Welding Supply Index* dropped to 142.2 in December from the previous month's 150.9, a 5.8% decline. Despite this, the *Index* gained 4.9% in 1983 from 1982 . . . The National Wholesale Hardware Assn.'s *Hardware Sales Index* stood at 113.4 for December. Based on a December-to-December comparison, the *Index* showed a 12.3% gain in 1983 . . . U.S. consumers remain optimistic about the economy as confidence steadily increases, reports The Conference Board. The *Consumer Confidence Index* showed its fifth consecutive monthly gain in January, rising to 97.8 from December's 95.1.

[continued from page 5]

which will also cause many businesses to be more cautious about committing funds for capital expansion."

The most spectacular gains in profits last year, according to APICS, were registered in the area of durable goods, which recovered from a near-invisible $1.2 billion in the last quarter of 1982 to a $21 billion level in the third quarter of 1983 and an estimated $24 billion in 1983's fourth quarter.

"However," APICS said, "we see very little gain in the durable goods sector for 1984. We look for only a $2 billion increase in durable goods manufacturing profits during the course of 1984."

### No recession due

In spite of his negative comments, Evans did not mean to imply that another recession is looming on the horizon. "Indeed, real GNP is expected to increase 3.0% to 3.5% this year in spite of the negative influences of high interest rates and sluggish growth in profits," he said.

Evans advises caution "in the face of those rosy forecasts of over 5.0% GNP growth, particularly in the area of capital spending. It is far more likely that capital spending in real terms will increase 5.0% this year than 10.0%. As a result, Smokestack America will have another relatively disappointing year in 1984." ☐

## Cameron & Barkley opens new facility

CHARLESTON, SC—A new electrical supply facility has been opened in Lancaster, SC, by Cameron & Barkley Co. as a satellite operation of the company's existing branch in Florence.

Managing the new location is Warren L. Tapp, who also manages the Florence branch in addition to another satellite operation at Myrtle Beach. Tapp has been affiliated with Cameron & Barkley, an employee-owned company, since 1962 and has been manager of the Florence branch since 1968. ☐

## Mainline Industrial advances into the bearings business

APPLETON, WI—Mainline Industrial Distributors, a distributor of industrial rubber products and power transmission equipment, has acquired Advanced Bearing Co. of Chicago, a distributor of industrial, automotive, aircraft, transit, and railroad bearings.

The acquisition was an important step in 20-year-old Mainline's continued growth, according to company president Ron Kostelnik. This move gives Mainline an opportunity to move into the bearings industry and to bring bearings products into the Wisconsin marketplace, he said.

"Advanced Bearings has been a well-managed, aggressive company with a good product line, and these products are a natural complement to our power transmission equipment and rubber products business," Kostelnik added.

Donald L. Peters, former president of Advanced Bearings, will remain with Mainline as a vice president and manager of the Advanced Bearing Div. office in Chicago and the Mainline office in Wheeling, IL. ☐

## Baran is president of SGL Lube

ELMWOOD PARK, NJ—Ronald J. Baran is now president of SGL Lube/systems division of SGL Industries Inc. SGL Lube manufactures and markets a line of single point grease feeders and oilers under the LubeSite® brand name.

Baran is a group vice president for the corporation and has direct responsibility for three of SGL's divisions. He continues in the capacity of president of SGL Modern Creative division, a position he attained in 1973. ☐

## Fastener show is on again in Columbus

COLUMBUS, OH—The fourth annual National Industrial Fastener Show & Conference will take place on May 31-June 1 at the Ohio Center and Hyatt Regency, here.

The show will feature 305 exhibits displaying fastener products for industrial, construction and specialty applications such as aerospace, electronics and nuclear energy. Between 3500 and 4000 people are expected to attend and distributors should account for 85% of this number.

Also offered will be a day filled with seminars on subjects that include maintenance repair business, basics of computer operating systems, telemarketing and electronic procurement. ☐

[continued on page 10]

# REGIONAL REPORT

## Sales gains hold in January

The first month of '84 saw the strong sales figures recorded in December '83 hold at the same level, a healthy 24%.

With more regions and areas of the country supplying sales figures, the breadth of the gains, as well as the extent nationally, can be recorded.

The Pacific region, for the first time since the economic recovery began, reports double digit gains for both specialists and general liners when compared to January '83. West North Central also reports solid double-digit gains.

In area reporting, Michigan has weighed in with robust sales gains in both categories, as have Wisconsin and Georgia-Florida.

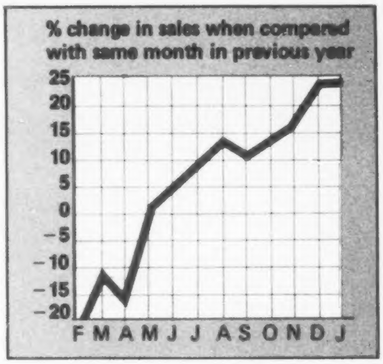
The first month of '84 compared to the first month of '83 shows very substantial gains, dramatically reflecting recovery-sales vs. recession-sales. The figures should be strong in this category until May or June, when the comparisons should diminish in size as recovery sales months will then begin to be compared.

In month-to-month reporting, it appears some regions as well as areas of the country are not able to sustain their sales growth. New England, for example, reported a month-to-month sales gain of 9% in November, then fell to a negative 4% in December, and is a negative 6% in January. In area reporting, Pennsylvania has been the most erratic, having been at a negative 8% month-to-month in November, then up 9% in December, and back down to a negative 12% in January.

For the first time in several months, receivables have declined in both categories. Nationally, both generalists and specialists shaved off a day going from 38 to 37 and 42 to 41 respectively. □

| RECEIVABLES* | Jan. '84 Gen. | Jan. '84 Spec. | Jan. '83 Gen. | Jan. '83 Spec. |
|---|---|---|---|---|
| **New England** | 39 | 50 | 42 | 51 |
| **Middle Atlantic** | 44 | 45 | 43 | 43 |
| **South Atlantic** | 34 | 34 | 34 | 35 |
| **East North Central** | 39 | 39 | 40 | 37 |
| **East South Central** | — | — | — | — |
| **West North Central** | 30 | 38 | 31 | 39 |
| **West South Central** | — | 43 | — | 46 |
| **Mountain** | — | — | — | — |
| **Pacific** | 38 | 41 | 37 | 43 |
| **National** | 37 | 41 | 38 | 42 |

*Average days outstanding



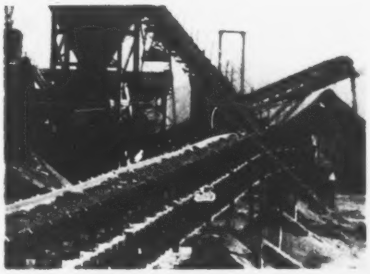
January sales keep high peak . . .

| SALES BY REGIONS (% change) | Jan. '84 vs Dec. '83 Gen. | Jan. '84 vs Dec. '83 Spec. | Jan. '84 vs Dec. '83 Both | Jan. '84 vs Jan. '83 Gen. | Jan. '84 vs Jan. '83 Spec. | Jan. '84 vs Jan. '83 Both | 1st mo. '84 vs 1st mo. '83 Gen. | 1st mo. '84 vs 1st mo. '83 Spec. | 1st mo. '84 vs 1st mo. '83 Both |
|---|---|---|---|---|---|---|---|---|---|
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | +2 | −18 | −6 | +30 | +16 | +24 | +10 | +16 | +12 |
| Connecticut | +9 | −18 | −2 | — | +20 | — | +11 | +21 | [illegible] |
| Massachusetts | −13 | — | — | +8 | — | — | — | — | — |
| **MIDDLE ATLANTIC:** NY, NJ, PA | +3 | −7 | −4 | +16 | +25 | +21 | +11 | +25 | +21 |
| New York Metropolitan Area | — | — | — | — | — | — | — | — | — |
| Upstate New York | −1 | +13 | +5 | +14 | +26 | +19 | +14 | +26 | +19 |
| Pennsylvania | −3 | −18 | −12 | +20 | +35 | +28 | +20 | +35 | +28 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, | +4 | — | +2 | +20 | +22 | +21 | +11 | +22 | +14 |
| SC, VA, WV | — | — | — | — | — | — | — | — | — |
| Georgia-Florida | −3 | −4 | −4 | +14 | +26 | +23 | +14 | +26 | +23 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | +13 | −5 | +2 | +36 | +26 | +30 | +36 | +26 | +30 |
| Indiana | — | −14 | — | — | — | — | — | — | — |
| Wisconsin | +2 | −9 | −6 | +24 | +42 | +37 | +24 | +42 | +37 |
| Chicago | — | — | — | — | — | — | — | — | — |
| Michigan | +25 | −4 | +11 | +33 | +34 | +34 | +35 | +34 | +35 |
| Ohio | +21 | −1 | +8 | — | +16 | — | — | +14 | — |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | — | −2 | — | — | — | — | — | — | — |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | +1 | +15 | +10 | +16 | +19 | +18 | — | +19 | — |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | — | −5 | — | — | +10 | — | — | −8 | — |
| Texas | — | −8 | — | — | +9 | — | — | −8 | — |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | — | — | — | — | — | — | — | — | — |
| **PACIFIC:** CA, OR, WA | — | −7 | +2 | +23 | +21 | +23 | +22 | +21 | +22 |
| L.A.-San Diego | — | — | — | — | — | — | — | — | — |
| Oregon-Washington | +10 | +8 | +9 | +25 | +18 | +22 | +25 | +18 | +22 |
| **U.S. TOTALS** | +5 | −3 | −1 | +25 | +22 | +24 | +20 | +19 | +20 |

# FASTENERS

# The market: no limits

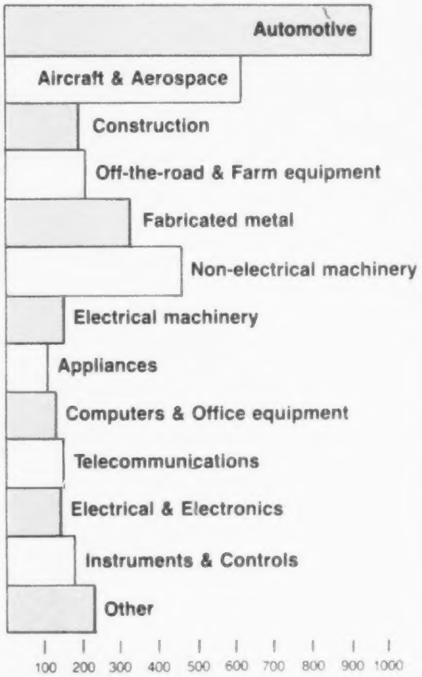
Over the past eight years or so, the fastener industry has changed dramatically due mainly to imports. Today, there are around 250 domestic producers which, according to one source, represents a loss to imports of a whopping 90% of standard fastener shipments comprising 60% of the total U.S. market for all fasteners.



Despite all of the publicity about imports, they have had very little impact on the *user market* served by distributors. In 1982, shipments of industrial fasteners in the U.S. approached $4 billion: 25% to automotive, 16% to aircraft and aerospace, 19% to electrical and electronic and 12% to so-called non-electrical machinery. Construction's consumption was

## Where the markets are

(in millions of dollars)



| | Total | Bolts | Large Screws | Small Screws | Nuts | No Threads | Air & Space | Other & Specialty |
|---|---|---|---|---|---|---|---|---|
| Automotive | 954 | 217 | 233 | 144 | 153 | 154 | | 53 |
| Aircraft & Aerospace | 605 | | | | | | 605 | |
| Construction | 199 | 50 | 45 | 24 | 26 | 44 | | 10 |
| Off-the-road & Farm equipment | 203 | 83 | 38 | 14 | 24 | 36 | | 6 |
| Fabricated metal | 335 | 87 | 70 | 44 | 67 | 57 | | 10 |
| Non-electrical machinery | 456 | 146 | 79 | 50 | 68 | 77 | | 14 |
| Electrical machinery | 160 | 19 | 16 | 48 | 32 | 40 | | 5 |
| Appliances | 113 | 12 | 7 | 56 | 3 | 17 | | 17 |
| Computers & Office equipment | 140 | 20 | 17 | 53 | 8 | 35 | | 7 |
| Telecommunications | 160 | 14 | 11 | 56 | 26 | 45 | | 8 |
| Electrical & Electronics | 148 | 19 | 7 | 52 | 22 | 40 | | 7 |
| Instruments & Controls | 187 | 17 | 4 | 80 | 30 | 47 | | 9 |
| Other | 238 | 55 | 59 | 29 | 36 | 48 | | 12 |

### Highlights

- Most U.S. producers sell almost exclusively through distributors regardless of size of customer order.
- Larger customers can be encouraged to buy via contracts or blanket orders.
- Not all of the prospects in the above industries are large. Many are small-to-medium plants, job shops, builders, etc.
- This table and some statistics in the text were excerpted from *Industrial Fasteners Market in the U.S.* For more information on the complete study, write Customer Service, Frost & Sullivan, 106 Fulton St., New York, NY 10038.

# The market: no limits…

just under 6% due to an industry lull.

Around 15 years ago, it's estimated that only around 15-18% of the industrial fasteners sold in the U.S. flowed through distributors; the rest went direct from supplier to user. Today, reflecting industry's mounting recognition of the distributor's influence in the marketplace, current estimates indicate that at least half of the fasteners sold in non-consumer markets flow through distribution.

The importance of mechanical fasteners has compounded in the U.S. despite advances in welding, brazing and soldering and in industrial-strength adhesives. One reason is the demand by industry for more closely engineered products forced on one hand by requirements for safer, more precise and generally more reliable fasteners and, on the other hand, recognition by producers that competition, mainly by imports, makes it necessary for them to fall back on their special areas of expertise in fastener engineering and special forming capabilities, in cold-heading, forming, upsetting, extruding, thread rolling.

Today's selection of catalogued threaded fasteners (screws, bolts, nuts, etc.) and unthreaded fasteners (dowel pins, anchors, washers, etc.) is as vast as the number of applications. No market is immune to the need for fasteners and few, if any, markets' needs remain unfulfilled. There is literally an off-the-shelf fastener for any common need, from critical electronic assemblies to rough-and-ready bolts to support mine roofs, and no end to made-to-order specials.

Fastening and other types of joining account for 53% of total production time across industry, according to Industrial Fasteners Institute (53 major U.S. and Canadian manufacturers with 130 production facilities). In the electronics industry alone, where tight fits and miniaturization are only two of the factors influencing choice of fasteners, fastening accounts for 70% of production time.

Where does all of this leave the distributor? At this point, his potential fastener outlets are endless. Every on-going plant, every brand new facility completed or under construction, every improvement including equipment installations and maintenance operations, practically every kind of assembly from tooling to computer peripherals—all of these offer profitable marketing possibilities for either one-shot or repeat sales.

Nearly every supervisor, manager or engineer in a commercial or an industrial installation knows more than average about fasteners, has had some experience with them, knows their capabilities and the functions for which they were designed. For that reason, the distributor and his salesman need to focus hardest on those persons who can influence choice of a fastener or a local vendor, the ones who can fill out and sign a requisition, and the PA's who finally backstop it.

The trick, of course is to pull out all stops and present a total merchandising package containing all of the value-addeds you, the distributor, can guarantee. ☐

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- Clinch nuts
- Wheel nuts
- Lock nuts
- Nut/Washer assemblies
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# HOTLINE

# Purchasing managers see slowdown but expect the recovery to continue

**While some statistics point to a downturn in the recovery, purchasing managers feel that the recovery is certainly not over yet and one manager sees it continuing into next year, depending on who is elected.**

NEW YORK—The recent sharp economic increases reflected in statistics issued by the National Assn. of Purchasing Management seems to have abated, based upon more recent NAPM figures. The NAPM's *Purchasing Managers' Composite Index*, which reached its highest level in 10 years in December, fell from that 70.6% level to 61.1% in January.

The economic recovery does not appear to be over, but is only slowing, according to an explanatory report issued by Charles T. Haffey, C.P.M., chairman of NAPM's business survey committee.

"The economy continued to improve in January but at a slower rate than in December. While incoming new orders, production and employment were better in January, the rate of increase in each of these areas dropped," the report said.

Back in December, NAPM issued its semi-annual economic forecast, according to Haffey, and it was fairly optimistic about 1984. NAPM members expected the first half of this year to be better than the last half of 1983, and they expected the second half of this year to be slightly better than the first half.

### Slow-down expected

At the time of the report, NAPM members anticipated that the recovery would continue, but that there would be "a slowing down in the growth-rate of the economy in the second half of the year," Haffey said.

However, since, as Haffey observed, purchasing managers tend to be more optimistic than most people, and in light of January's figures, their projection on the timing of the recovery's slowdown may have to be moderated.

According to Curt Cornell, manager of materials supply, energy and materials division, Air Products & Chemicals Inc., Allentown, PA, it is too early to say that the recovery is over or on its way down.

"We are looking very closely at the statistics and the recovery appears to be slowing down some, but it may be just catching its breath and getting ready to continue," Cornell said. "We are not forecasting the economy to go down for at least the next six months."

**Percent Reporting**

| | Hand to Mouth | 30 Days | 60 Days | 90 Days | 6 Mos. and Longer |
|---|---|---|---|---|---|
| **Production Materials** | | | | | |
| January | 9 | 35 | 33 | 14 | 9 |
| December | 12 | 36 | 32 | 13 | 7 |
| November | 11 | 40 | 32 | 11 | 6 |
| **MRO Supplies** | | | | | |
| January | 33 | 48 | 13 | 4 | 2 |
| December | 35 | 46 | 12 | 4 | 3 |
| November | 37 | 44 | 12 | 5 | 2 |
| **Capital Expenditures** | | | | | |
| January | 11 | 7 | 8 | 15 | 59 |
| December | 14 | 6 | 8 | 15 | 57 |
| November | 14 | 6 | 8 | 16 | 56 |

The economic recovery seen by Air Products & Chemicals, a company that does between $30 to $50 million in business with industrial distributors yearly, has been one of a gradually increasing nature and the company can see this continuing into next year if Reagan is reelected, Cornell said.

> **'We are looking very closely at the statistics and the recovery appears to be slowing down some, but it may be just catching its breath and getting ready to continue.'**
>
> **—Cornell**

"The recovery has been gradual enough so that people have been able to gear up for it and stock materials. We have not seen shortages or dramatically lengthened lead times," according to Cornell.

NAPM reports that inventories are continuing to increase slightly, a trend that began late last year. Also, purchasing managers are becoming more willing to buy their production materials and MRO supplies further in advance.

### Hand-to-mouth orders go down

Statistics back up this observation. According to NAPM's latest available figures, hand-to-mouth orders for three major categories, production materials, MRO supplies and capital expenditures are all on the decline. Correspondingly, longer term orders, for the most part, are increasing.

Anticipating a slowdown in the recovery has been Jerry J. Jasinowski, executive vice president, National Assn. of Manufacturers. "The economy is both stronger and more volatile than generally perceived. 1984 will start off with a bang, slow sharply by mid-year, and pick up again in the fourth quarter," he said in his 1984 economic outlook.

Jasinowski predicted that the quarterly real GNP figures for 1984 would be 6.6%, 3.6%, 3.0% and 4.6%. He attributed his predicted sharp drop in second quarter GNP growth primarily to continuing high real interest rates and a corresponding slowdown in the pace of inventory accumulation.

**Y. D. Scholar**

# NOTE

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PUBLICATION HAVE BEEN FILMED

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82, 85-86, 119-121.

# Industrial Distribution

May 1984 - C[illegible] of

Hotline:
Increasing demand for specials spells profits for distributors

Preview:
1984 Triple Industrial Supply Convention

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NIDA

**Fred C. Williamson, Jr.**
SIDA

**Roger G. Thompson**
ASMMA

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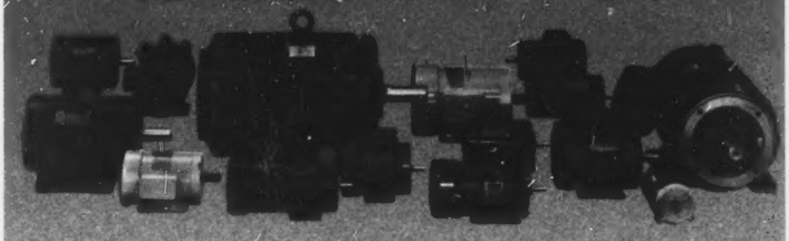
## Indicators . . .

A favorable economy continues as most indicators continue to rise. The *NIDA-SIDA Industrial Distribution Index* climbed to 132.1 in February, a 3.4% increase over the previous month. This is the *Index's* highest level since April, 1982. Gains were registered in all but the southern region, which was down 1.6 points to 128.7. The strongest gain was in the midwest, up 8.7 points to 127.5. The *NIDA-SIDA Industrial Supply Inflation Index* rose 0.3% in February to 157.0 . . . According to the *SIDA Monthly Sales Trend Report*, sales showed a decline of 2.66 points for January from the previous month. January had sales 26.62 points ahead of January, 1983 . . . The *ASMMA New Order Index* was up to 119.6 for January, an increase of 7.0 points, or 6.2% from the previous month . . . New machine tool sales by distributors were down 4.1% in January from the previous month, but the current index, standing at 57.7 for January, is 27% higher than the January, 1983 index according to the American Machine Tool Distributor's Assn. The *Distributors New Orders Trend* posted a 2.3% rise from its December level and now stands at 53.4. Sales of metal cutting machine tools were down 8.4% in January while sales of metal forming machine tools rose 29.2% . . . According to the National Machine Tool Builders' Assn., net new orders were up 26.0% in January from December totals, and shipments, reflecting low order rates during early 1983, declined 53.0%. Compared to January, 1983 totals, this January's orders were up 107.9% while shipments were down 26.7% . . . The *Welding Supply Index*, compiled by the National Welding Supply Assn., registered 155.2 for January, up 13.0 points, or 9.1% from the previous month. January, 1984 increased 23.2% over January, 1983 . . . The National Wholesale Hardware Assn.'s *Hardware Sales Index* stood at 119.8 for January, up 6.4 points from the previous month, an increase of 15.1%. Sales by distributors advanced 14.2% based on January, 1984 to January, 1983 comparisons. Particularly strong sales were reported in the southwest regions where average daily sales were up 30.8%.

**DEMAND.**



If you sell electric motors, you should demand a few extras from your motor supplier. Like extra service: before, during and after each sale.

You should demand a supplier with their ear to the ground and their eye on your future. In short, a company that really cares about your business, and *not just theirs!*

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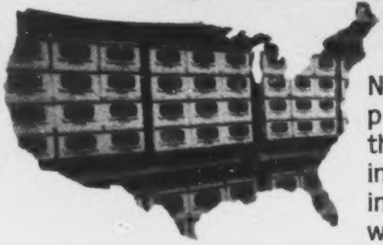

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# REGIONAL REPORT

## February sales surge to new high

Results for February, in just about all categories reporting, surged to record highs, with the national average sales figure for February '84, compared to February '83, rising 31%.

These results can be misleading in at least one respect: current figures may not truly reflect sales highs at individual distribution businesses, but rather compare favorably to what were very low sales figures, in some cases bottom figures, in February '83. Nevertheless, they are indicative of a very healthy business climate at present.

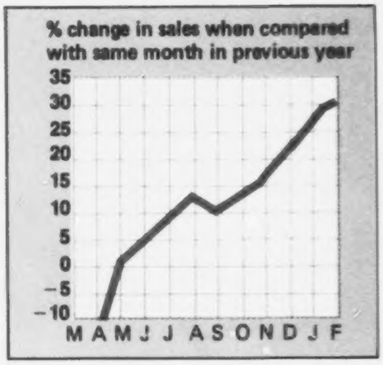
Perhaps the most heartening figures are in the month-to-month comparisons, which are the best indicators of immediate trends. Here, recent softness in the figures for January, which reflected a slowing trend in sales, were completely wiped out. The monthly comparison for January, just 1%, rose to 7% in February.

The first 2 months of '84, compared to '83, rose 35%. The January figure was up 20%, and as the first quarter of '83 was weak, these favorable comparisons should continue, perhaps until May or June, when the recovery in distribution began.

There were no weak regions or areas in the national statistics recorded. The Pacific region, which came alive in January, continues to show strong sales, with the Oregon-Washington area up 22%. The East North Central Region recorded very strong sales with Wisconsin and Michigan leading the way with gains of 61% and 46% respectively. □

| RECEIVABLES* | Feb. '84 Gen. | Feb. '84 Spec. | Feb. '83 Gen. | Feb. '83 Spec. |
|---|---|---|---|---|
| **New England** | 39 | 51 | 41 | 48 |
| **Middle Atlantic** | 42 | 46 | 41 | 43 |
| **South Atlantic** | 33 | 34 | 37 | 34 |
| **East North Central** | 38 | 48 | 38 | 45 |
| **East South Central** | 36 | — | 38 | — |
| **West North Central** | 28 | 39 | 28 | 42 |
| **West South Central** | — | 45 | — | 47 |
| **Mountain** | — | — | — | — |
| **Pacific** | 38 | 41 | 37 | 44 |
| **National** | 36 | 43 | 37 | 43 |

*Average days outstanding



Sales touch new high in February . . .

| SALES BY REGIONS (% change) | Feb. '84 vs Jan. '84 | | | Feb. '84 vs Feb. '83 | | | 1st 2 mo. '84 vs 1st 2 mo. '83 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gen. | Spec. | Both | Gen. | Spec. | Both | Gen. | Spec. | Both |
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | −1 | +3 | 0 | +27 | +14 | +24 | +27 | +14 | +24 |
| Connecticut | −6 | +11 | −2 | +36 | +18 | +30 | +43 | +19 | +35 |
| Massachusetts | +12 | — | — | +23 | — | — | +18 | — | — |
| **MIDDLE ATLANTIC:** NY, NJ, PA | +3 | +17 | +9 | +11 | +37 | +26 | +11 | +33 | +23 |
| New York Metropolitan Area | — | — | — | — | — | — | — | — | — |
| Upstate New York | −6 | +17 | +2 | +13 | +49 | +26 | +16 | +40 | +25 |
| Pennsylvania | +6 | +27 | +17 | +14 | +53 | +35 | +17 | +45 | +32 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, | +7 | −1 | +4 | +33 | +18 | +27 | +30 | +19 | +25 |
| SC, VA, WV | — | — | — | — | — | — | — | — | — |
| Georgia-Florida | — | — | — | +39 | +17 | +25 | +39 | +21 | +28 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | +3 | +18 | +11 | +37 | +56 | +47 | +31 | +44 | +37 |
| Indiana | — | — | — | — | — | — | — | — | — |
| Wisconsin | +13 | +28 | +25 | +37 | +68 | +61 | +13 | +53 | +43 |
| Chicago | — | — | — | — | — | — | — | — | — |
| Michigan | +12 | +16 | +14 | +48 | +44 | +46 | +41 | +36 | +38 |
| Ohio | — | — | — | — | — | — | — | — | — |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | — | — | — | — | — | — | — | — | — |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | +10 | +7 | +8 | +10 | +37 | +27 | +13 | +28 | +23 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | — | +8 | — | — | +25 | — | — | +15 | — |
| Texas | — | +7 | — | — | +19 | — | — | +16 | — |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | — | — | — | — | — | — | — | — | — |
| **PACIFIC:** CA, OR, WA | −5 | +16 | +8 | +22 | +34 | +25 | +23 | +27 | +24 |
| L.A.-San Diego | — | — | — | — | — | — | — | — | — |
| Oregon-Washington | −1 | +17 | +8 | +23 | +22 | +23 | +28 | +20 | +24 |
| **U.S. TOTALS** | +4 | +11 | +7 | +27 | +34 | +31 | +42 | +28 | +35 |

**The future is now for industrial distributors because every decision affecting their operations today will be reflected in how stable and profitable they will be in the 1990s and beyond. One manufacturing executive has looked toward the future and has come up with predictions on the changes and the challenges that will most assuredly affect the character of both distribution and supply.**

# Industrial distribution: 1990...

**Focal points: 1990**

- People
- Expansion and growth
- Marketing
- Management data and communications
- Operations and transportation
- Financing and profitability
- Customer services
- Organization and management
- Legislation and involvement
- Competition
- THE UNKNOWN

It's obvious by the way distributors are applying better management methods and the newer operating technologies that by the 1990s, this industry will assume more of the kind of corporate character of the larger, more advanced companies. Every resource, from people to computer-generated management information, and every asset from warehouse equipment to the computer itself, will be honed down to their most productive size and coordinated into a streamlined, fail-safe, operating system.

But despite the trend in distribution toward unitizing the entire operation into a single, smooth-flowing system, the strongest focus now and into the 1990s will be on improving the individual elements: the people, the equipment, the computer, the sub-systems such as order processing, billing, order-picking, delivery and the rest, until they mesh with each other in a way that allows them to operate in unison as a precisely synchronized team.

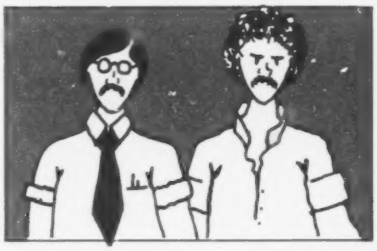
The idea is to create a workable, minimum-operating-cost, error-free, smooth-flowing system involving everything from management information and day-to-day records to everything that goes into processing and delivering an order.

The so-called unmanned, unlighted, totally automated "blackbox" facility won't happen until well into the 21st Century, if at all, so again, it's important for distributors aiming at a prosperous 1990 and beyond to focus on improving the system's individual components—people, equipment, management—and watch a company-wide productive system slowly take shape.

A number of experts and research studies such as National Assn. of Wholesaler-Distributors' *Future Trends in Wholesale Distribution* have shown what might happen to distribution in the near future. Edward L. Reid, Jr., a highly placed manufacturer's executive, offers these prognostications.

## People

People are priority one in any discussion about the challenges of the next decade because it is people from the blue collar warehouse worker to the top manager in the company who will generate the ideas, recognize the problems and implement the solutions.



According to Dr. Chip R. Bell of Lead Associates, Inc., by the year 1990, workers will be represented on policymaking boards, participate in team hiring and team planning, and will provide input regarding selection of managers and new products or, in the case of distributors, the product lines to stock and sell. Employees will:

- identify less with the work ethic
- spend 45% of their lives in non-work activities
- retire earlier from their "primary" employment but will spend more of their lives working since retirement age will have no upper limits
- grow in average age from 32 in 1980 to 40-plus in 1990
- receive work sabbaticals with pay
- receive free, subsidized educational benefits with more than half of their pay being allocated to benefits chosen from a "cafeteria of benefits"
- exercise increased job mobility, changing careers three to four times in their work lives.

Management will have to deal with increases in executive unionization, increases in professional strikes, and increases in permanent part-time workers.

Many distributor employees will never leave home. They will work from a computer terminal as efficiently as if they went to the office. The distribution executive will have a desktop computer that will help him solve problems in every area of his business, reducing the need for written reports.

Manpower planning and allocation together with hiring, training, and development of people will increase in importance. Formal training at the college level in the functions of industrial distribution and promotion from both inside and outside the industry will solve today's existing problems of management succession.

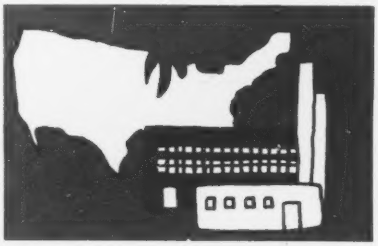
## Expansion and growth

Manufacturing employment and manufacturing earnings will continue to shift from the northeast and midwest to the southeast, southwest, and west coast.

Durable and non-durable manufacturing employment will decline to 6% of the U.S. total in New England, 15% in the Middle Atlantic region, and 23% in the East-North Central area. Total manufacturing employment will increase in the Southwest to 24% of the U.S. total, in the West Central region to 15%, and in the Western region to 17%. (See table.)

The growth of high technology industries will foster growth of specialty distribution to meet customer demand, for example, electronic industrial distribution.

By 1990, you could see a small handful of industrial distribution firms with more than $1-2 billion in sales. Distributors will expand substantially as a result of productivity gains and marketing of new *value-added* services including systems contracting, fabricating, repair, servicing and warranty for products sold. The biggest distributors will become corporate giants, operating on a national and international basis.



Some mid-sized distributors, not able to adapt to the challenges and changes, will specialize within a region, sell out, diminish in size, or fail. Small distributors will sur-

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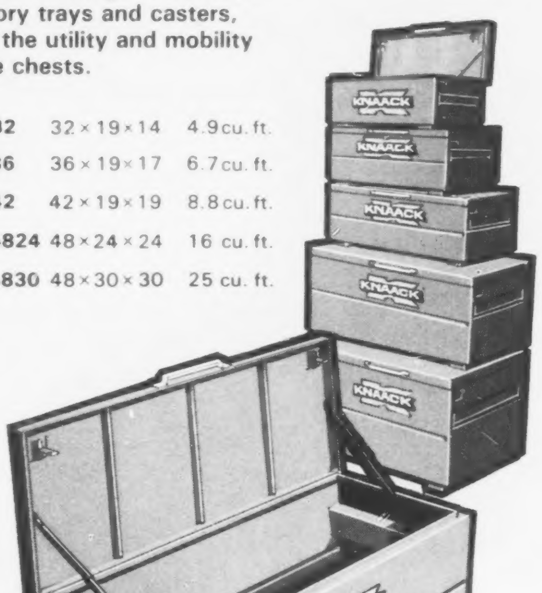

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**Write in No. 58**

### Regional Share of U.S. Manufacturing Employment, 1975 Projections for 1985 and 1990

(Percent)

| | | New England | Middle Atlantic | North Central | South East | West Central | Western |
|---|---|---|---|---|---|---|---|
| **Total Manufacturing** | 1955 | 9% | 26% | 29% | 16% | 10% | 10% |
| | 1965 | 8 | 23 | 27 | 19 | 11 | 12 |
| | 1975 | 7 | 19 | 26 | 21 | 14 | 13 |
| | 1985 | 6 | 16 | 24 | 23 | 15 | 16 |
| | 1990 | 6 | 15 | 23 | 24 | 15 | 17 |

**Key**

New England - CT, ME, NH, RI, VT, MA
Middle Atlantic - NJ, NY, PA
East North Central - IL, IN, MI, OH, WI
East South East - AL, DE, DC, FL, GA, KY, MD, MS, NC, SC, TN, VA, WV
West Central - ND, SD, NE, MN, IA, KS, MO, OK, AR, TX, LA
Western - AZ, CA, CO, ID, MT, NE, NM, OR, UT, WA, WY, AK, HI

(1) Source: McGraw-Hill Department of Economics, "Regional Shares of U.S. Manufacturing Employment, 1975, Projections for 1985 and 1990."

vive by concentrating on smaller accounts.

U.S. industrial distribution will become more involved with foreign markets and develop export business and joint ventures with foreign concerns. And as foreign interests become more concerned with industrial distribution in the U.S., they will acquire equity positions in and full ownership of U.S. distributors. A study by the NAW Distribution Research & Education Foundation (DREF) projects that by 1990, 10% of sales will come from distributors that are foreign owned and 15% of sales will be foreign supplied. The same study showed distributor market share getting larger at the expense of manufacturers' sales branches, manufacturers' agents, and manufacturers' direct sales.

Distributors will integrate vertically by buying out small specialty manufacturers of products that have long lead times, are profitable, and are compatible with the distributor's specialty. Franchising will also be attempted as a low-cost method of expanding outlets.

Automotive aftermarket, consumer, and industrial distributors will form large combines while manufacturers, intrigued by the growth of industrial distributors, will buy out non-conflicting distributors and allow them to operate at arm's length. By 1990, it is estimated that total wholesale distribution will be a $3 trillion industry.

## Marketing

Industrial distribution will become increasingly market oriented and decreasingly sales oriented in its quest for greater productivity and profits. The key focus will be on profit goals as opposed to sales goals, and written strategic planning will be the foundation for distributors' annual and long-range planning.

Specialization and single-sourcing by distributors will become critical as both distributor and manufacturer realize that profitable market penetration cannot be achieved with multiple lines.

MARKETING PLAN

As specialization and single sourcing become factors, distributors and vendors will join forces to implement marketing plans that:

- Identify potential by product, application, company, and industry
- Integrate long-term and short-term economic forecasting by product and application
- Establish mutual sales plans and goals
- Measure and follow-up on results of marketing plan sales goals

Vendors will then be able to say with some degree of validity that distribution is truly their "marketing arm."

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Write in No. 59

of their operations, computers will be used for marketing functions ranging from planning to establishing direct mail lists by SIC, customer, plant, and individual.

The teaming of distributors' marketing resources with those of the vendor will permit greater penetration of territories and key accounts. The vendor/distributor sales team will be given specific direction by the marketing department which will pinpoint customers and applications by product potential.

Compensation of the marketing representatives will be based on profits, not volume. Distributors will find the mix of salary, bonus, and commission developing a more highly motivated sales force with commissions being paid on short-term growth and bonuses paid on long-term objectives. As a result, the implementation of strategic market planning by the industrial distributor will greatly enhance his importance to the manufacturer and customer. By the end of the 80's, industrial distribution will be an extension of the vendor's marketing arm and, in some cases, will become the vendor's marketing department.

## Management data and communications

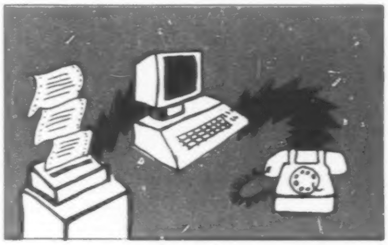
Computers are now starting to fulfill their 10-year-old promise for industrial distributors. However, there still remain significant risks for the inexperienced as computer and communications technology becomes increasingly sophisticated.

As a a result of diverse activity and competition, the computing/communications industry is a chaotic and confusing marketplace. Even as the promise becomes a possibility, attaining it will require more management attention and organizational discipline.

One key breakthrough in the use of computers for industrial distribution is the development of software programs by distributors or distributor-oriented programmers. To assist this trend, a new tax benefit for distributors who develop their own or improved software has recently been approved. In addition, the total expenditure for purchased software is 100% tax deductible. And any increase in developmental cost over the previous year receives an additional 25% tax credit. These new tax incentives, together with the quest to increase productivity and lower cost, will lead to an explosion of software programs in the sales, marketing, finance, administration, and operational functions—purchasing, inventory, materials handling—of the distributor.

Commonplace by the end of the decade will be:

- Greater use of the computer in administration, sales, and market planning functions
- Electronic transmission from the manufacturer's computer to the distributor's computer that will range from ordering and inventorying to utilization of marketing tools such as transferring product data, applications data, and training materials
- Desktop computers for the distributor executive
- Use of universal product bar codes to allow a distributor to scan incoming inventory and record outgoing inventory transactions with the scanner tied into a computer, making instantaneous adjustments in inventory
- Customers who will be tied into the distributor's computer to access data ranging from product information, price, availability, and delivery and then transmit the order. The distributor will use his computer to direct the customer's order to the vendor



### Manufacturing Earnings Actual and Projected, 1970 - 2000

(1967 Dollars, In Millions)

| | 1970 | 1980 | 1990 | 2000 | Increase |
|---|---|---|---|---|---|
| U.S. (total) | 156,589 | 216,533 | 280,419 | 348,408 | 122.5% |
| New England | 11,034 | 13,390 | 15,810 | 17,907 | 61.6 |
| Mideast | 37,624 | 43,034 | 48,257 | 52,641 | 39.9 |
| Great Lakes | 45,580 | 63,080 | 77,758 | 91,168 | 100.0 |
| Plains | 9,785 | 14,181 | 18,717 | 23,493 | 140.0 |
| Southeast | 24,674 | 41,810 | 63,024 | 88,473 | 258.6 |
| Southwest | 7,671 | 12,745 | 19,648 | 27,890 | 263.6 |
| Mountain | 1,868 | 3,326 | 5,034 | 7,119 | 281.1 |
| Far West | 18,041 | 24,597 | 31,607 | 38,938 | 115.8 |

**Key**

New England - CT, ME, NH, RI, VT, MA
Mideast - DE, DC, MD, NJ, NY, PA
Great Lakes - IL, IN, MI, OH, WI
Plains - IA, KS, MN, MO, NB, ND, SD
Southeast - AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV
Southwest - AZ, NM, OK, TX
Mountain - CO, ID, MT, UT, WY
Far West - CA, NV, OR, WA

(Source: Bureau of Economic Analysis)

As a result of computerization, the MIS or Management Information Systems Dept. will become the key to the effective utilization of computer hardware and software. Industrial distributors will have to simplify their business operations. All products, programs, policies, philosophies, procedures, and paperwork will have to be analyzed by the appropriate department head and the MIS manager who will become a key member of distribution management.

The new operating system software will merge office system functions such as word processing and electronic mail with more traditional data processing functions. Word processing will be common by 1990 and will be utilized, first by the sales force and then by distributor management to provide efficient, effective and professionally written communications to their customers and vendors.

Word processing will allow the salesman to dictate into the telephone at his leisure in the evening, leaving daytime open for selling. The salesman will create form letters that can be used for follow-ups, thank you letters, outline letters of calls completed, and "proposal selling." Computers can update customer files, and, most importantly, allow a quick response to customer inquiries which will increase the *eyeball-to-eyeball* selling time of the sales force.

Telecommunications technology advances and deregulation of the communications industry will allow distributors a low cost capability of instant and constant communications with their customers, personnel, vendors, and their computers.

Audiovisual communications between branches and headquarters will be commonplace. Sales meetings will be held at branch locations throughout the country utilizing VCR and "live" transmission technology.

The effective use of MIS requires a plan which includes:

- A broad but clear statement of the business' goals and how the system should support those goals
- A brief overview of what application systems are required and which existing systems are not operating satisfactorily
- An identified team of senior managers who can cooperatively nurture the development of new systems
- A capital expenditure plan for new hardware/software with clearly defined goals
- A schedule that spans two or three years

Also necessary are: the consolidation of management of data processing, voice and data communications, office systems, and business planning; an MIS manager who is a businessman first and a technician secondly; and an investment in training employees in the use of new systems and communications facilities.

With all of the technology and programs available, the key to success will be our ability to select technology and manage our employees appropriately.

### Operations and transporation

The *Universal Product Code,* adopted across the board by industrial distributors and manufacturers, will permit many of the internal operations of the distributor to be computerized, accelerating productivity. Increasingly, distribution will be patterned after the $13 million automated storage and retrieval system installed by W.W. Grainger in its distribution center.

### Financing and profitability

One way to alleviate the money squeeze on distribution is to foster a better understanding between the wholesaler-distributor and his banker. In the coming years, we will see traditional bankers using new standards in financing distributors' growth. However, there will be other areas for industrial distribution to source money for its expansion during the next ten years, including: insurance companies, industrial revenue bonds, venture capital, the Small Business Administration, mergers and acquisitions creating *distribution groups* or holding companies, and financing through public ownership.

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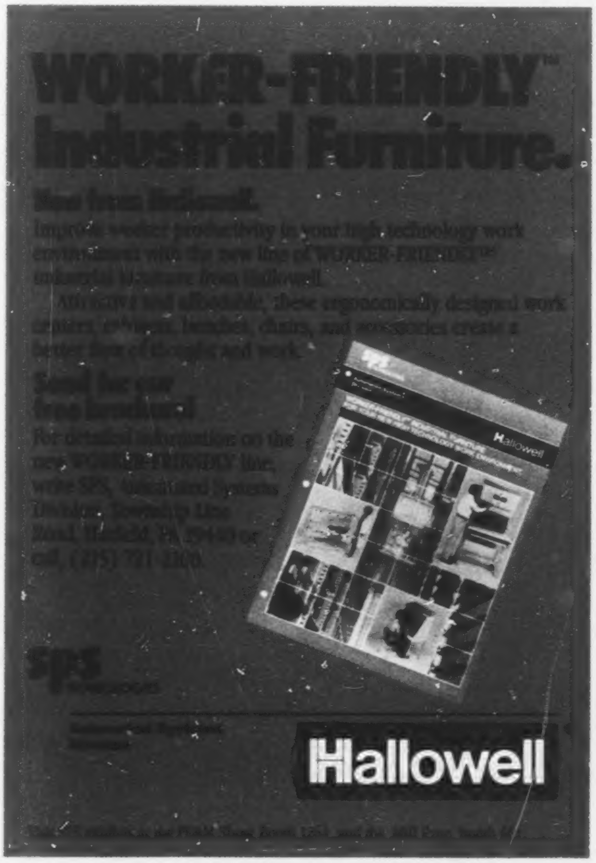
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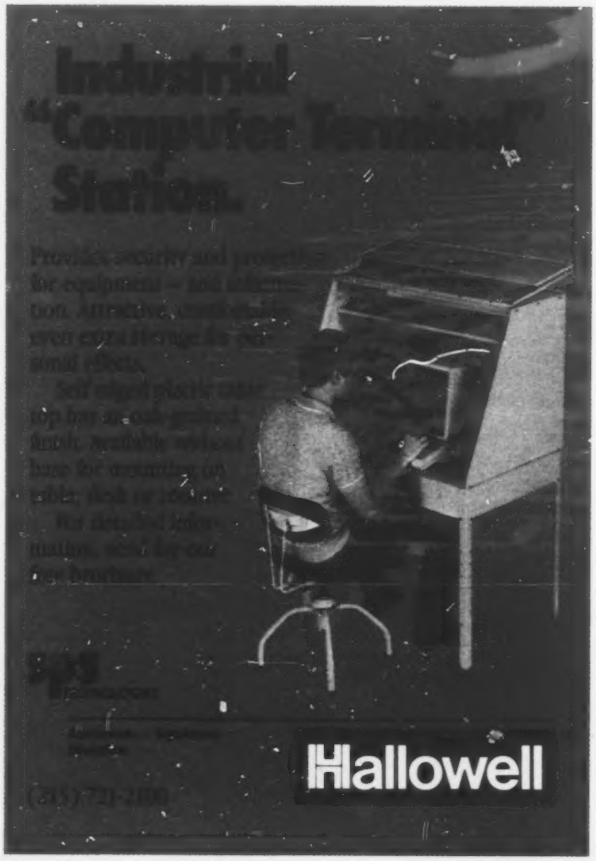
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# Industrial distribution: 1990...

A recent survey by NAW's DREF found that 15% of all wholesale and distribution firms were publicly held in 1980 but controlled a total of 37% of total industry sales. It predicted that public ownership will increase to 30% by 1990 with control of 60% of sales. The report concluded that many distributors will go public or seek foreign investment in the next 10 years.

The one major unknown that distributor management will have to be constantly evaluating is the potential for deflation during the latter part of the 80s. It is my opinion that there is a 30 to 40% chance that deflation will occur in this decade. Careful analysis of the symptoms of deflation as it impacts upon profitability must be factored into contingency plans.

### Customer services

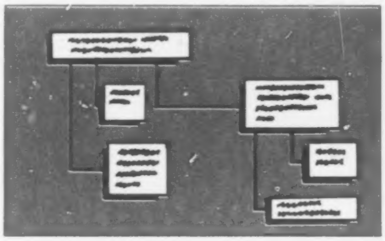
In the late 80s, distribution will focus on adding services and functions for vendors and customers thus enhancing its existence as a viable function in commerce. The value-added service will develop into a *total systems approach* of service which will include not only selling the product but fabrication, repair, warranting, installing, manufacturing and technical assistance.

Industrial distribution will manufacture specialty items. It will integrate vertically back to the base manufacturing function as well as integrate horizontally within the channel of distribution. And because of the total systems approach to service, industrial distributors will be in a better position to sell OEMs and a growing portion of their sales will be to this market as opposed to the MRO or process industries.

### Organization and management

Managers realize that they must control and influence three key areas: planning, organizational structure, and personnel. They know that the organization has to be designed to accomplish in, a productive manner, the mission and key strategies of the company. Management also realizes that it must select the right person for the right job within the organizational structure. After this is accomplished, the major task of management is to monitor, follow up, and inspect the results for validity.

Distribution management will be far more involved in overseeing the organizational structure and management selection in the future. Management will be recruited outside the industry to bring new ideas and concepts into the field.



### Legislation and involvement

In the future, distributor management will spend more time lobbying local, state and Federal governments on such issues as removing barriers to capital formation, business perpetuation, and investment for real growth. The results will be beneficial, not only to industrial distributors, but to all wholesalers. An excellent first step was taken with the passing of the *Economic Recovery Act of 1981*, which, among things, directly benefitted distributors by:

- Allowing for greater, more rapid recovery of capital expenditures for investments in depreciating new warehouses and other structures, machinery, equipment, and vehicles with a simpler and more realistic "Accelerated Cost Recovery" System
- Simplifying LIFO inventory accounting conversion and administration
- Reducing the tax rate of the first $50,000 of corporate taxable income by 2%
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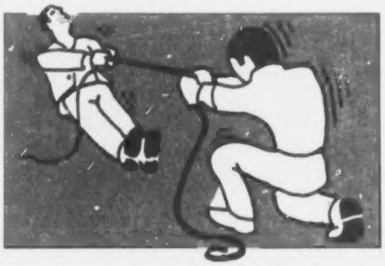
# Industrial distribution: 1990...

- Raising the amount of used property eligible for investment credit to $150,000
- Increasing the credit against accumulated earnings tax to $250,000
- Increasing the maximum number of shareholders for a Sub-Chapter corporation to 25 from 15
- Increasing the exemption for estate taxes to $600,00 in 1987
- Reducing the top estate tax rate on a phase-in basis from 70% to a maximum of 50%

Many other areas that need to be changed in the tax code were not addressed in the *1981 Act*. Wholesale-distributor organizations will need to rally behind these changes to make government aware of the importance of an economically sound industrial distribution industry.

## Competition

A truly qualified industrial distributor will meet the challenge of competition by outpromoting competition with your experience and contacts. Stabilize your operation by stocking up, eliminating backorders and erratic accounting and billing. Make buying from you problem-proof from salesmen to inventory and be 100% service oriented . . . Plan well ahead for contingencies that can even remotely cut into your image of reliability among your customers. Retain your standards, price notwithstanding. (From an **ID** editorial.)



Competition will intensify in distribution as companies begin to challenge each other. A key strategy is to recognize that you can't be everything to everybody. It is far better to determine the strengths of your company and make the most of those strengths servicing your customers. As distribution expands at a faster rate than the economy as a whole, competition will occur in such areas as value-added on services. The companies that compete with a product mentality will be obliterated by companies working with a total systems selling and service approach.

## THE UNKNOWN

One has to be naive to think that the future can be accurately predicted. At best, only broadly based strategies and missions derived from assumptions for the future can be set for a company.

On the other hand, distributors can be prepared for those high probability events with a flexible contingency plan to help them through uncharted waters. Management can project internal factors based on allocations of resources but it is more difficult to project external factors such as governmental regulations, the economy, war or peace, new competition, and new technologies.

Recognizing that there will be unknowns, strategic planning allows flexibility to meet the constantly changing challenges of the external environment.

Management must be alert to symptoms of change in markets and customer locations. It must also be informed and knowledgeable concerning trends that can affect the company.

The unknown will add to the challenges and changes in the future and these will be met by distributors who have developed creative and innovative management to guide them.□

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***About the author:***

**Edward L. Reid, Jr.** *is a graduate of Babson College with a B.S. degree in Business Administration. He served with the U.S. Navy Supply Corps for three years before joining Exxon in 1961 as a sales manager for the company's Dealer and Automotive Aftermarket.*

*In 1967, he joined Loctite Corporation as marketing manager-Industrial Distribution, the position he held until he became vice president and general manager of the company's general industrial business. He was subsequently named vice president-Industrial Distribution, his current position.*

# VIEWPOINT

## Question: Were you rendered impotent by the recent recession . . . or did you use the time to prepare yourself and your company for the good times that lie ahead?

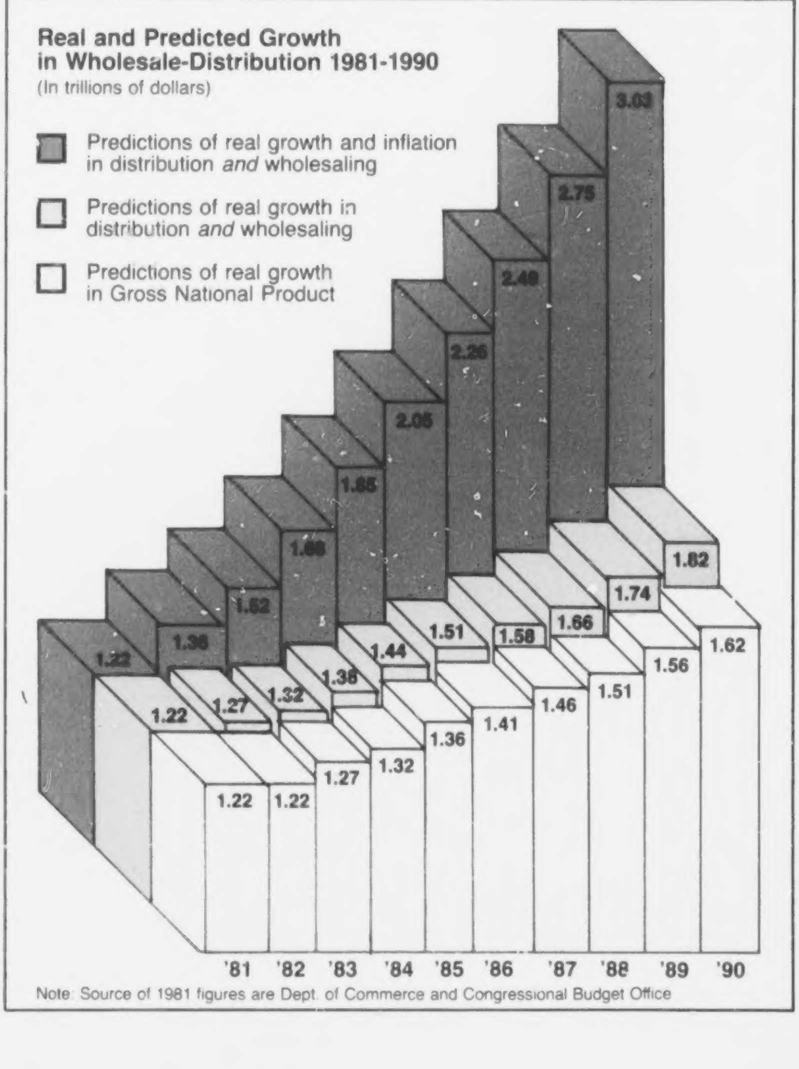
If the recent recession gave customers time to sort out the best, distributors who were not using that same time to remake themselves into the best are not going to be around for long.

What is the best? How does a distributor determine whether perchance he is already the best—or if not, what he must do to remake himself to be the best?

Since October, 1982, it's been easier to either evaluate, remake the operation, or both. National Assn. of Wholesales-Distributors' Distribution Research & Education Foundation issued results of a nationwide survey in its report: *Future Trends in Wholesale Distribution: A Time of Opportunity.* It was the latest, most comprehensive look at the direction of wholesaling and distribution in the U.S. Above all, it provided the individual distributor with a standard for evaluating his own business and its compass heading; it also provided a guideline for reorienting the business toward the opportunities foreseen for the years ahead.

The *DREF Report*, heavy with statistics and forecasts, painted a picture of what the industry would be doing 10 years hence, those firms that survive, that is. The survey employed the highly regarded *Delphi Forecasting Method.*

What distributors will be doing successfully or unsuccessfully 10 years from now is actually a reflection of their progressiveness today. Those suceeding or surviving in adversity now are the firms that can be counted on to perform admirably and, of course, profitably, in 1994. And if you are one of the successful ones today, or you plan to emulate them by studying and implementing some of their methods, you too will succeed or 10 years from now your firm won't be



Note: Source of 1981 figures are Dept. of Commerce and Congressional Budget Office

**About the author:**
Consultant **Dickey Dyer** has served nearly 200 clients in wholesaling, distribution and related industries over a span of 42 years. A long-time contributor to trade media, all-around distributor specialist Dyer is well known for his no-nonsense, often offbeat, but always practicable view of industry trends and his approach to problem-solving. Here, Dyer gives his own, highly personalized view of the future of distribution and how the distributor aware of the new challenges can make them work for him.

around to reap some of the benefits.

What are these firms doing that you really should be doing now and absolutely must be doing a decade hence to survive?

### Why now?

This is no time to get euphoric. The grade of the current upturn is minimal. Recovery is going to be slow. Don't relax! Don't get overconfident! Use this slow recovery time to get yourself positioned for the better times that lie ahead in the near term. You have got to get through the near term if you expect to be a survivor at the end of the decade.

Your most important consideration right now is to accept the painful fact that the good times that lie ahead in the near term aren't going to be like what good times were before. While these upcoming good times will assuredly find more product moving through distribution than ever before, there will be a substantial change in product type. The volume of supplies that distribution had purveyed to the steel industry, the automotive industry and to their vast support structure will never be again. It is gone forever.

> ***'The recession gave our customers a better appreciation of what distributors can do for them to help them cut their overall costs.'—***
> Turner Warmack, vice president, sales
> Ziegler Tools, Inc., Atlanta, GA

You have all read that you must make up with high-tech the 20%-30% you have lost forever in sales to customers serving steel, automotive and other markets. That's easier said than done. You don't know much about the field. Your experience is heavy in hard good distribution. You don't know the high-tech market; you don't know the products; you don't know the manufacturers.

Your best bet is to acquire a small firm in your area that knows the high-tech field—if you have the money, the inside organization, the selling organization. The small firm has the high-tech know-how. It's a beautiful marriage; you command the market; it commands the product. Of course, you'll probably have to become a polygamist before you take on enough small high-tech firms to replace what you've lost in your traditional volume markets.

How do you know which firm to seek out for high-tech product lines? This isn't so hard to determine. Some of what you now sell is bought by high-tech outfits in your market area. Set priorities for your selling effort in this order: (1) firms making personal computers, (2) firms making general electronic equipment, (3) firms making energy conserving products, (4) firms making communications equipment. Seek these firms out, sell them what you have, make friends. Find out what these firms buy in high-tech and who sell it to them. Somewhere among these selling firms are your candidates for acquisition or merger.

You will be engaged in an acquisition program, not to increase your size, but to acquire know-how in order to maintain your size. The high-tech market is expanding rapidly. This market expansion will give you your desired size and scope if you choose well in selecting your partners.

Have someone aboard to coordinate the pursuit of high-tech acquisitions. Call this person your marketing manager. If your sales manager doesn't fill the bill, then you'd better assume the role yourself.

### Modernize.

You must equip yourself to be able to supply your customers under systems contracts. This means that on behalf of your systems contract customers, you must keep abreast of the technological advances being made in the products they buy. You must do the research and the shopping around that has been so costly for your customers to perform. In short, you must support your MRO buyers.

Next, you must become so skillful at inventory management as it applies to your own unique needs that you are able to supplant your systems contract customers' needs for inventory management by assuring them product availability. You will have to organize your own inventory management system so that you closely track the inventory you have placed at your customers' facilities. Moreover, your skill at inventory mangement will enable you to broaden the range of product you can manage in each product line. This is a competitive advantage.

To operate systems contracts and manage multiple inventories, you will need well-programmed computing equipment and low-cost telecommunications linkages between your customers and your computerized records. This does not necessarily mean on-line order entry from terminals you have installed in your customers' plants. Such arrangements also streamline your dealings with suppliers, since you will now have a precise method for knowing your day-to-day needs and can communicate them to your supply sources. It is also a benefit when dealing with customers not on systems contracts but those who demand speedy response.

You will need to enhance your profitability by shifting the onus for market cultivation and customer cultivation from outside salespersons to professional telephone salespersons, not the reactive inside salesperson who simply takes incoming order from the mail or by telephone.

> ***'This recession gave me the time to think through and to put into operation the marketing and management enhancements for which I never had the time, nor the inclination, nor the incentive, when business was so blamed good.'—***
> Glenn Patron, president,
> Bearings & Transmissions, Ponce, PR

Under systems contracting embracing management of customers' inventories, you have created your own early-warning system and have minimized the need for fast delivery to respond to emergencies. But with telephone selling, speed of delivery is crucial. It is the whole package that impresses the new customer or the newly reactivated old customer and conditions him for systems contracting. If only a limited portion of your sales require hyper-fast reaction, you ought to be able to accomplish it successfully without incurring the exorbitant expense encountered when all deliveries are emergencies.

You will need to further enhance your profitability by recognizing that you can shortcut some of the expense of telephone selling by running product seminars for your established customers to provide for them what telephone salespersons provide on a one-on-one basis to a newly identified prospect.

You will need to further enhance your profitability of reducing unproductive marketing efforts. You will henceforth be able to do your marketing planning much more precisely and to measure your marketing effectiveness much more exactly than you have been able to in the past owing to newly developed data such as National and Southern Industrial Distributors Assn.'s quantification factors for market sizing and sales penetration measurement.

You will also need to further enchance your profitability by enlarging your geographic marketing using your computer to facilitate systems contracting and concomitant management of your customers' inventories. You have in combination with modern telecommunications equipment (WATS telephone service and computer terminals) the capability to mount a presence in new geographic markets at very little cost; no longer must you have resident salespersons and locally warehoused inventory.

There is one dark cloud on your horizon. Maybe it won't develop into a thunderhead. That is electronic funds transfer. Your suppliers have the clout to enforce this on you, but you probably don't on your customers. If this phenomenon, as has been predicted does finally transpire, you will simply have to arrange for banks to finance your receivables in the names of your customers. You will not be able to afford to do it yourself. It could add to an additional 30 days requirement for cash if your suppliers insist on funds transfer at the time of shipment to you.

### The realities

Many distributors never stop honing their skills, as a result, are already well into the steps leading to a successful future. This doesn't mean that the future is their's exclusively. For those of you who have the time and the willingness, right now is the time to position your entire operation and your thinking for the good times that surely lie ahead. ☐

---

### The challenges: 1990 and beyond

- **Inventory management for customers**
- **Customer education and training**
- **Systems selling and planned order systems**
- **Market research and analysis**
- **Sale of hi-tech products**
- **Implementation of high-tech internally**
- **Shift toward more disposable-type items**
- **Demand for professional management and sales**
- **Greatest changes in inside and outside sales, inventory control, financial control**
- **External training by trade associations**
- **Volume discounts and lower prices**
- **Capability of inside sales, delivery, inventory**
- **Strategic business planning**
- **Range of real value-added services**
- **Efficiency and scope of information exchange between distributor and his customer, distributor and supplier**
- **Asset management**
- **Ongoing retraining to pace trends**
- **Awareness of foreign competition**

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June 1984

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BETHESDA MD 20814

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# INDUSTRY NEWS...

plaining Black & Decker's move into lubricant and chemical products.

"We are committed to growth in both the base power tool accessory business plus entering into related new business opportunities which offer high growth potential," he continued. "When proper fits are found, we are moving quickly to seize the opportunities."

Black & Decker will be supporting its new product line with a media advertising campaign and is offering its distribution network a special promotional package. ☐

## Ingersoll-Rand unveils tools for the automotive aftermarket

WOODCLIFF LAKE, NJ—Ingersoll-Rand is expanding some of its professional tools lines and is introducing several new products aimed at the automotive aftermarket. Being introduced are 13 air-powered abrasive tools, which include grinders, sanders, polishers, buffers, a nibbler and a cut-off tool, and a new line of air impact wrenches.

The abrasive tools feature a lightweight, compact design, built-in regulators for positive speed control, and balanced construction for vibration-free performance. They are designed for use in both heavy-duty and general purpose applications.

The company is introducing 10 new air impact wrenches featuring lightweight, compact designs and heavy-duty power capabilities, making them suitable for a wide range of applications in automotive markets.

Ingersoll-Rand is also expanding its lines of air hammers, air drills and ratchet wrenches.

Adding to the existing two-model air hammer line, the company has introduced regular-duty, standard-duty and general-duty models, all having an alloy steel barrel and a heat-treated piston.

Three air drills featuring a variable speed throttle and planetary gear reduction, designed for heavy-duty and super-duty drilling applications, have been added to complement the company's existing three-model line.

The line of air ratchet wrenches is doubled with the addition of two models.

Ingersoll-Rand's research and development center in Princeton, NJ, and the engineering department at its Athens, PA, plant were responsible for the engineering, testing and evaluation of the products. ☐

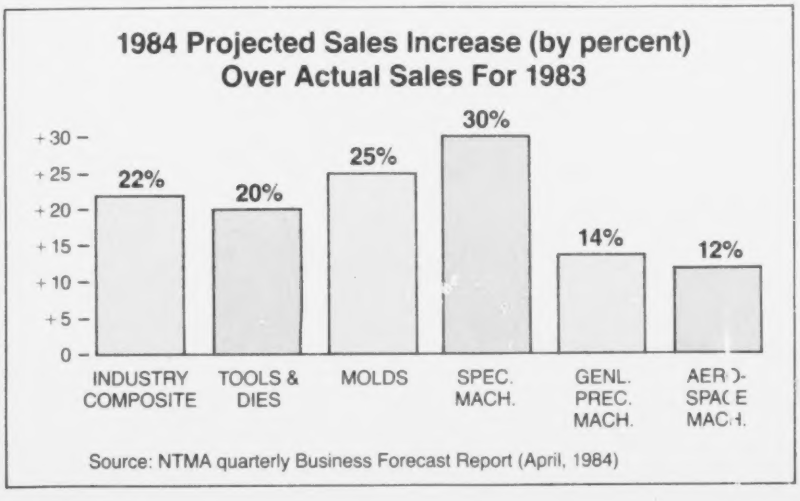
---

## NTMA sees sales growing by 22% in revised forecast

WASHINGTON—A recent National Tooling & Machining Assn. business forecast report predicted that member company sales (shipments) for 1984 will grow by 22%, amending a previous forecast of 18% growth.

The NTMA special machines sector is the area that is expected to show the sharpest increase over last year's sales with improvement now projected at 30%. The molds sector is now expected to grow by 25% rather than the 20% increase forecast in the earlier report. The 1984 forecast for tools, dies and fixtures has been raised from 15% to 20%.

Largely because of the continuing softness of the commercial, business and private aircraft markets, the forecast for the aerospace machining and fabrication sector has been reduced form the previously projected 17% increase to 12%. ☐


1984 Projected Sales Increase (by percent) Over Actual Sales For 1983

Source: NTMA quarterly Business Forecast Report (April, 1984)

## Indicators . . .

The economy continues to seem strong as even the two declining indicators went down ever so slightly. Following strong gains in January and February, the *NIDA-SIDA Industrial Distribution Index* declined in March to a level of 131.7, off a slight 0.3% from the previous month. Both the eastern and midwestern regions registered increases, while the western and southern regions showed declines. The *NIDA-SIDA Industrial Supply Inflation Index* continued its upward movement and hit 157.1, a small, 0.1% increase over last month's 157.0 . . . The *SIDA Monthly Sales Trend Report* for February recorded a decline of 0.31 points from the previous month, while showing sales to be 17.28 points ahead of February, 1983. Year-to-date figures place the first two months of 1984's sales 25.87 points ahead of last year . . . The *ASMMA New Order Index* rose 1.7 points to 121.3 in February, up 1.4% from January . . . According to the American Machine Tool Distributors' Assn., sales of new machine tools in the U.S. by distributors were up 2.2% in February, and the current index, now standing at 59.1, shows a 41% increase over February 1983's reading. The *Distributors' New Orders Trend* continued to rise, posting a 3.2% gain to stand at 55.1. The *New Orders Trend* is now at its highest level since October, 1982. Sales of metal cutting machine tools were up 4.7% in February while sales of metal forming machines declined by 11.4% . . .Net new orders for U.S. machine tools rose by 3.0% in March from the previous month and shipments increased by 29%, reports the National Machine Tool Builders' Assn. Orders for the first quarter were 91% above last year's first quarter totals, while shipments were off 8.0% compared to the first three months of 1983. In March, orders for metal cutting machine tools increased 10% and shipments were up 19%, while metal forming machine tool orders dropped 11% and shipments increased 51% . . . The National Welding Supply Assn.'s *Welding Supply Index* advanced to 167.1 in February from the previous month's 155.2, a 7.7% increase, bringing the *Index* to its highest level in four years.

# REGIONAL REPORT

## March sales fall from highs

After reaching an increase of 31% in February '84 over February '83, the fifth straight month of continued new highs, March sales backed off and settled with a gain of 22%.

Similarly, the regions reporting, although still showing hefty double-digit gains, were off from as little as 3 to as much as 13 percentage points from their highs.

East North Central continues to lead the pack with a 30% increase, followed by West North Central with 24% and Pacific with 22%.

In areas reporting, Michigan is on top with a 39% increase followed by Wisconsin with 37% and Ohio with 25%.

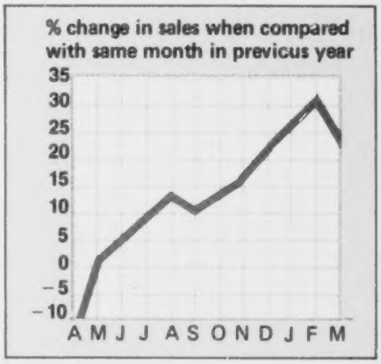
Month-to-month figures compare very favorably with last month and show an increase for the country as a whole from 7% in February (compared to January) to 11% in March (compared to February). This indicates a continuing healthy sales climate, at least for the short term.

The first 3 months of '84 compared to '83 continued to reflect strong post-recession comparative figures; however, here, too, the gain slipped from 35% (for the U.S.) in February to 25% in March . Broken down regionally, East North Central shows the most substantial 3-month increase over '83 figures, rising 32%. Both the South Atlantic and Pacific regions registered solid gains of 23%. The smallest gain for any region or area was 19%.

Receivables remain virtually unchanged in March, compared to February, and are in fact unchanged compared to last year. ☐

| RECEIVABLES* | March '84 Gen. | March '84 Spec. | March '83 Gen. | March '83 Spec. |
|---|---|---|---|---|
| **New England** | 37 | 48 | 39 | 48 |
| **Middle Atlantic** | 42 | 46 | 41 | 44 |
| **South Atlantic** | 35 | 39 | 34 | 38 |
| **East North Central** | 39 | 41 | 37 | 37 |
| **East South Central** | — | — | — | — |
| **West North Central** | — | 38 | — | 37 |
| **West South Central** | — | 39 | — | 45 |
| **Mountain** | — | — | — | — |
| **Pacific** | 38 | 45 | 37 | 43 |
| **National** | 38 | 42 | 38 | 42 |

*Average days outstanding



Sales ease off in March . . .

| SALES BY REGIONS (% change) | March '84 vs Feb. '84 Gen. | Spec. | Both | March '84 vs March '83 Gen. | Spec. | Both | 1st 3 mo. '84 vs 1st 3 mo. '83 Gen. | Spec. | Both |
|---|---|---|---|---|---|---|---|---|---|
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | +12 | +12 | +12 | +15 | +15 | +15 | +22 | +17 | +20 |
| Connecticut | +5 | +5 | +5 | +14 | +9 | +12 | +32 | +15 | +26 |
| Massachusetts | +19 | — | — | +20 | — | — | +19 | — | — |
| **MIDDLE ATLANTIC:** NY, NJ, PA | +26 | +3 | +11 | +20 | +8 | +13 | +15 | +22 | +19 |
| New York Metropolitan Area | — | — | — | — | — | — | — | — | — |
| Upstate New York | +19 | −6 | +7 | +14 | +27 | +19 | +14 | +32 | +21 |
| Pennsylvania | +24 | +3 | +10 | +28 | +1 | +10 | +23 | +25 | +24 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, | +10 | +21 | +14 | +18 | +22 | +20 | +24 | +20 | +23 |
| SC, VA, WV | — | — | — | — | — | — | — | — | — |
| Georgia-Florida | +13 | +18 | +16 | +17 | +24 | +21 | +30 | +22 | +25 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | +8 | +9 | +8 | +29 | +31 | +30 | +36 | +29 | +32 |
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| Chicago | — | — | — | — | — | — | — | — | — |
| Michigan | −1 | +10 | +5 | +31 | +45 | +39 | +29 | +39 | +35 |
| Ohio | +13 | +11 | +12 | +19 | +31 | +25 | +28 | +18 | +23 |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | — | — | — | — | — | — | — | — | — |
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| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | — | +27 | — | — | +24 | — | — | +18 | — |
| Texas | — | +27 | — | — | +24 | — | — | +18 | — |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | — | — | — | — | — | — | — | — | — |
| **PACIFIC:** CA, OR, WA | +6 | +14 | +8 | +20 | +25 | +22 | +22 | +27 | +23 |
| L.A.-San Diego | — | — | — | — | — | — | — | — | — |
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July 1984

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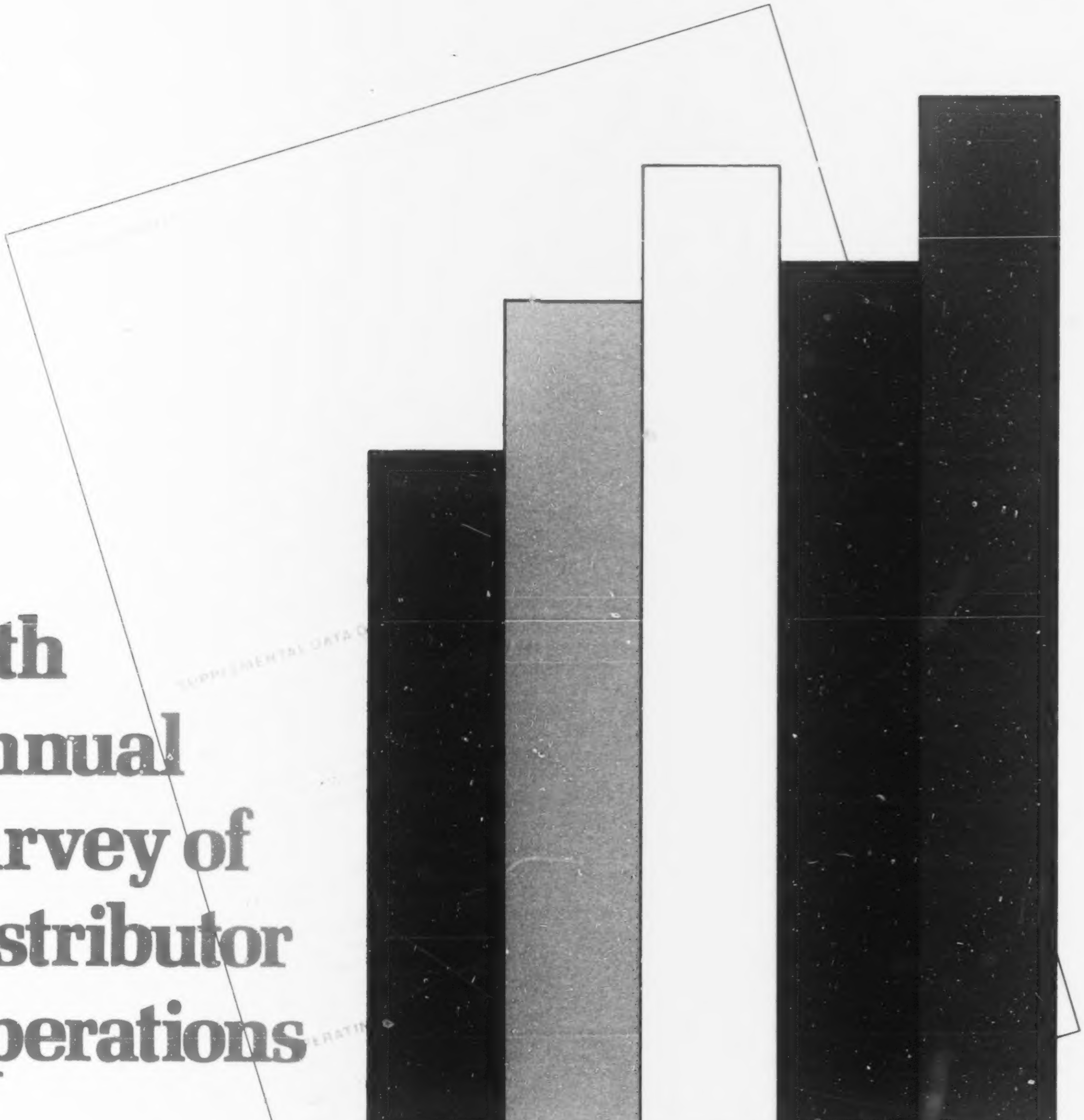
slow to introduce
new products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# INDUSTRY NEWS

## Distributors are building inventory as real growth heads for a decline

FALLS CHURCH, VA—Slower than expected first quarter sales have resulted in increased inventory levels, making it probable that there will be a sharp decline ahead in real growth, according to a report by Michael K. Evans, head of Evans Economics Inc., Washington, DC, and consulting economist to the American Production & Inventory Control Society. Although this inventory buildup has been relatively insignificant at the manufacturing level, those market segments that include industrial distributors have experienced an inventory rise.

Despite the sales fall-off, second quarter figures are projected to show a continued increase in inventory, the economist indicated. "Ordinarily, inventory investment continues for at least one quarter after final sales decline. Because firms usually expect strong demand to continue, they are usually slow to cut back on production and orders for inventory. Hence, the unexpected decline in sales creates unintended inventory accumulation."

According to Evans, the last four times the economy has "turned on a dime" in the past decade, inventory investment has either remained basically unchanged or has increased, but it has not decreased.

### Where is the I/S ratio going?

Evans looks for GNP growth to be slowing down beginning with the second quarter. However, Evans feels that the important issue is not how much of a slowdown there is, but "whether the business community really did switch to new methods of inventory management and control when they pushed the inventory/sales (I/S) ratio down to a record peacetime low of 1.29, or whether the I/S ratio will return to its old levels, thereby negating one of the most important lessons of the Great Recession," the APICS report said.

If inventory investment follows previous historical precedence and continues to be strong for one or two more quarters, the I/S ratio would return to, if not surpass, its previous equilibrium value of 1.40, stated Evans. A lackluster growth of sales, coupled with the implicit estimate of very rapid inventory accumulation, is likely to increase the I/S ratio, which may very well be figured at 1.38 or 1.39 for midyear.

Of concern to industrial distributors is an inventory dichotomy between the manufacturing and the trade sectors, as explained by the economist. (Evans includes industrial distributors in the trade category.)

According to the APICS report, in the trade sector, the declines in the I/S ratio have been fairly modest and the current ratio is near previous average levels. On the other hand, in manufacturing, the I/S ratio has dropped sharply and is expected to remain well under control for the rest of the year.

### Distributors are holding the bag

The inventory dichotomy described by Evans is consistent with recent remarks made at this year's annual Bearing Specialists Assn. convention by Donald Ratajczak, director of the Economic Forecasting Project at Georgia State University. Manufacturers are pushing products out to the distributor at the same time that retailers are postponing purchases until the very last minute, leaving distributors with the inventory and having them finance the short term assets of the system, Ratajczak had said.

In his report, Evans backed up the inventory dichotomy idea: "From 1976 through 1982 the manufacturing I/S ratio averaged 1.64 but then declined steadily to a trough of 1.40 in December 1983. It rebounded only slightly to 1.43 in February and is estimated to have remained at the same value in March. The picture for the retail sector

[continued on page 13]

### *Sudden changes in real GNP over the past decade*

| Year | Quarter | Real GNP % change | Inventory investment (constant $) (in billions) |
|---|---|---|---|
| 1973 | 1 | 10.9 | $16.0 |
| | 2 | 0.5 | $15.2 |
| 1976 | 1 | 9.1 | $10.0 |
| | 2 | 2.7 | $11.3 |
| 1978 | 2 | 11.0 | $18.4 |
| | 3 | 3.3 | $13.3 |
| 1981 | 1 | 9.0 | $ 3.0 |
| | 2 | 0.6 | $ 8.9 |

*Source: Evans Economics Inc.*

## Small businesses create jobs says Reagan report

WASHINGTON—According to President Reagan's recently issued annual report on the state of small business, small businesses are the leading force in job creation during both economic recession and recovery, helping to spur business upswings and moderating downturns.

The president's report was based on a survey of industries that included wholesale and retail trade (including industrial distributors), construction, transportation, communications, utilities, services, finance, insurance and real estate.

Using data from other Federal agencies and from the U.S. Small Business Administration's own small buisness data base, the report determined that "all of the 984,000 net new jobs generated in the American economy during 1981 and 1982 came from independent small businesses . . . Small business produced a total of 2,650,000 new jobs, more than offsetting the 1,666,000 jobs lost by large businesses."

The report, prepared by the SBA's Office of Advocacy, said that the Nation's 14 million small businesses employ 47.8% of the private work force, contribute 42% of national sales and 38% of the gross national product.

According to the report, 1983 was an excellent year for small business. Business bankruptcies declined 14.8% during the year and in the second half of 1983 they decline 30% compared to the same 1982 report. Also, small business income, as measured by proprietorships and partnerships, grew 18%. ☐

# INDUSTRY NEWS...

[continued from page 7]

[industrial distributors are included by Evans in this area], however, is far different. There the I/S ratio averaged 1.41 for the 1976-1982 period, and then declined to a trough of 1.29 in January. However, it rebounded sharply to 1.35 in February and rose to 1.40, based on the available March retail sales figures. In other words, in the retail area, the I/S ratio has given up all of the ground that was saved during 1983."

### Manufacturer inventories

On the manufacturing side, the report went on to state, "the sharp decline in the growth in the index of industrial production from 1.0% in February to 0.4% in March took place almost entirely in those components of production which primarily represent production for inventories. As sales plummeted in February, the production of final products also was drastically curtailed in that month, with the growth rate being cut from 1.5% to 0.6%. However, the decline in March was then very modest, falling only marginally to 0.4%. The increase in production of intermediate products and materials, on the other hand, remained unchanged from January to February, with a 1.3% increase in both months. However, this figure dropped precipitously to 0.5% in March, signalling a slower growth in inventories for the manufacturing sector."

The manufacturing sector's quick response to lowered sales is quite significant since, in the past, it has generally taken manufacturers between three to six months before they have adjusted inventory production schedules in response to significant changes in sales, according to Evans.

"While manufacturers have not captured all of the nuances of Zero inventories and Just-in-Time, it is likely that they have at least strengthened their reporting and control mechanisms to the point where the lag time between changes in sales and production has been cut at least in half," the economist said. ☐

## Jos. O. Flatt Co. is acquired by Weiler Industries

CRESCO, NC—Weiler Industries, the parent company of Weiler Brush Co. Inc., has acquired the Jos. O. Flatt Co. of Reading, a manufacturer of maintenance brushes.

Flatt's name will be changed to Flatt Brushes Inc. and it will continue in Reading, operating as a sister company to Weiler Brush, a manufacturer of industrial power brushes.

According to Karl M. Weiler, president of Weiler Industries, this acquistion will strengthen the breadth of Weiler Brush's product line in addition to providing the Flatt company with the backing of a strong parent company. ☐

## STAFDA offers collection program to its members

ELM GROVE, NC—The Specialty Tools & Fasteners Distributors Assn. in conjunction with the National Assn. of Wholesaler-Distributors has successfully field tested an accounts receivable management and collection program and is now offering it to its members. The program is administered by National Revenue Corp.

During its revue of NRC's services, according to STAFDA, cash flow indicators for a variety of industries were analyzed and it was found that the average collection period was 48 days and the annual average write-off, as a percent of sales, was .41.

Provisions of the STAFDA sponsored program will include special pricing to members, a full range of collection services based on a company's needs and consultive assistance from specialists. Control of a distributor's accounts is to stay with the distributor at all times. ☐

## Regal-Beloit Corp. picks officers and assesses first quarter

SOUTH BELOIT, IL—Regal-Beloit Corp.'s board of directors has appointed James L. Packard chief executive officer, replacing Kenyon Y. Taylor. Taylor will continue as chairman of the board and Packard will continue as president and chief operating officer.

**Taylor**

**Packard**

Commenting on Packard's appointment, Taylor stated, "Over the past several years Jim and his young executive team have developed a sound and proven track record in managing Regal-Beloit successfully through both good times and bad. As chief executive officer, Jim will now be in a better position to continue and enhance the direction of the corporation as a highly profitable, growth oriented company."

Other officers elected by the board include: Robert C. Burress, vice president and treasurer; Henry W. Knueppel, vice president, power transmission group; Gerald J. Berres, vice president, secretary and general counsel; and Dennis M. Conerton, controller.

### First quarter report

While announcing the election of its officers, the board also reported on the company's record breaking first quarter sales of $14.3 million. This was the second consecutive quarter that Regal-Beloit broke its own quarterly sales record.

First quarter sales topped 1983's final quarter by 9.0% and exceeded last year's first quarter by 55%. Profits showed a 355% increase over last year's first quarter.

The company's most improved division, from a profit standpoint, was the cutter division of the firms' Cutting Tool Group, recording increases 12 times those of the first quarter last year. According to Taylor, demand for end mill and cutter products continues to increase both in terms of large and small orders from general metalworking and aerospace customers.

While assessing future prospects, the chairman stated: "Incoming orders continue on an upward trend supported by strong markets for our products and our ability to increase market share." ☐

## Propane torch maker acquired by Cooper

RALEIGH, NC—Turner Industries Inc., a manufacturer of propane and oxygen/propane torches for the DIY and industrial markets, has been acquired by Cooper Industries Inc. and will be operated by The Cooper Group with marketing through its regular distribution channels.

Turner Industries, originally established in 1871, maintains plant facilities in Irwindale, CA, and Sycamore, IL.

Arnold Doby has been named plant manager with headquarters at Sycamore. He was formerly group controller for The Cooper Group.

With Turner Industries, the manufacturing and distribution operations of The Cooper Group now number 10 hand tool brands, the others being Boker knives; Crescent pliers and screwdrivers; Lufkin measuring tapes and rules; Nicholson files and saws; Plumb hammers and axes; Weller

[continued on page 17]

# INDUSTRY NEWS...

## Indicators . . .

All but one of this month's indicators is up as the economy seems to be continuing in a positive vein. The *NIDA-SIDA industrial distribution Index* returned to an upward track as it moved up to 132.2 in April, up 0.5 points from the previous month. Gains were registered in the eastern, up 4.7 points, and western, up 13.0 points, regions, while losses were recorded in the midwestern, down 0.5 points, and southern, down 1.6 points, regions . . . According to the *SIDA Monthly Sales Trend Report*, sales were up 11.25 points for March from the previous month. March had sales 17.01 points ahead of March, 1983. Year-to-date figures place the first quarter of 1984's sales 24.11 points ahead of last year . . . This month's only indicator to show a decline, the *ASMMA New Order Index*, dropped to 113.2 for March, down 8.1 points, or 6.7%, from the previous month . . . New machine tool sales in the U.S. by distributors rose 27.6% in March from the previous month and the current *Index* now stands at 75.4, the second highest level in 27 months, according to the American Machine Tool Distributors' Assn. The *Distributor's New Orders Trend* continued to rise, posting a 9.8% gain to stand at 60.5. This is its highest level since September, 1982. The jump in March orders was the result of sharp rises in new orders for both metal cutting and metal forming machinery. The metal cutting index increased 22.6% from February to stand at 73.1. The metal forming index rose 60.7% to stand at 90.0 . . . The *Welding Supply Index*, compiled by the National Welding Supply Assn., registered 179.3 for March, up 12.2 points, or 7.3%, from the previous month. The reading is the highest level in four years and shows a 19.4% increase over March, 1983 . . . The National Wholesale Hardward Assn.'s *Hardware Sales Index* stood at 110.7 for March and average daily sales of the Assn.'s members advanced 2.2% in March compared to February. Sales by distributors advanced 9.4% based on March, 1984 to March, 1983 comparisons. Dynamic areas in March were the western and eastern central regions with one-month gains of 9.3% and 10.7% respectively.

[continued from page 13]

Soldering equipment; Wire-Wrap connection tools; Wiss scissors and snips; and Xcelite electronic tools.

Cooper Industries is also a manufacturer of compression, drilling and energy equipment, drapery hardware and industrial and electrical products. □

## Field Tool Supply becomes division of Marco Holding Co.

CHICAGO—Marco Holding Co., a company established by Mark Friefeld, has purchased the assets of Field Tool Supply Co., a cutting tool distributor. The 34-year-old company will operate as a division of Marco.

Friefeld, chief executive and operating officer of Marco, has been a vice president and acting general manager of Field Tool Supply.

"The basic successful operating, buying, selling and marketing policies that have built Field Tool into its leadership position today will be maintained," Friefeld said. The executive stated that the company will continue "to strive towards more advanced selling techniques, new product lines and improved customer services." □

## Ridge Tool offers a new line of pumps, rams and accessories

ELYRIA, OH—The Ridge Tool Co., a manufacturer of hand and power tools and a subsidiary of Emerson Electric Co. of St. Louis, is expanding its industrial tool line to include new Ridgid brand hydraulic pumps, rams and accessories.

Several types of pumps are available in addition to electric/hydraulic pumps. The company is offering hand pumps that operate horizontally or vertically, available in single or two-speed models. Also there are air pumps, featuring foot pedals for hands-free operation, that operate with 40-120 p.s.i. shop air.

The Ridgid line of rams is geared towards a wide variety of industrial applications requiring single-acting, double-acting or special application rams, or multiple ram systems.

There are over 30 models of spring-return rams available including shorty, low-profile and center-hole models along with lightweight aluminum rams for special applications where easy positioning is needed. All are designed to handle working pressures up to 10,000 p.s.i. and capacities range from 5 to 100 tons with stroke lengths from 7/16 to 13-1/4 inches.

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# REGIONAL REPORT

## April sales hold gains

After dropping nine percentage points in March from February's new high, April sales leveled off at +23%, or one percentage point higher than the March figure.

Other year-to-year comparisons show East North Central with the largest gain of 25% among the regions reporting, and Michigan as the best area gainer, up 43%. All regions and areas reporting remained in the plus column, and in double digits.

The first four months of '84 compared to '83, continue to show strong positive results. Here too, all the gains are in double digits with Michigan and Wisconsin leading the way among areas, up 38%. For the regions, East North Central was again the highest, up 30%. The weakest region was Middle Atlantic which still managed a 17% gain. The weakest area was Oregon-Washington, up 19%.

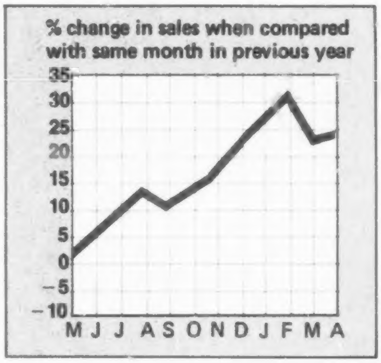
Suddenly, and surprisingly, the figures for month-to-month reporting have turned negative. As this is the best or most immediate indicator of sales trends, as opposed to sales comparisons, the probability is that sales are slowing down.

The sharpest regional drop recorded for month-to-month comparisons is West South Central, down 18%. Wisconsin is the biggest loser in area reporting, down 11%. The country as a whole is down 8%. These figures compare to all plus figures in March, where the country had a gain of 11%.

As has been the case for the past several months, receivables remain unchanged in year-to-year comparisons. ☐

| RECEIVABLES* | April '84 Gen. | April '84 Spec. | April '83 Gen. | April '83 Spec. |
|---|---|---|---|---|
| **New England** | 39 | 47 | 41 | 46 |
| **Middle Atlantic** | 44 | 45 | 42 | 45 |
| **South Atlantic** | 34 | 36 | 36 | 37 |
| **East North Central** | 40 | 43 | 38 | 45 |
| **East South Central** | 37 | — | — | — |
| **West North Central** | — | 40 | — | 37 |
| **West South Central** | — | 39 | — | 46 |
| **Mountain** | — | — | — | — |
| **Pacific** | 42 | 41 | 42 | 41 |
| **National** | 39 | 42 | 40 | 42 |

*Average days outstanding



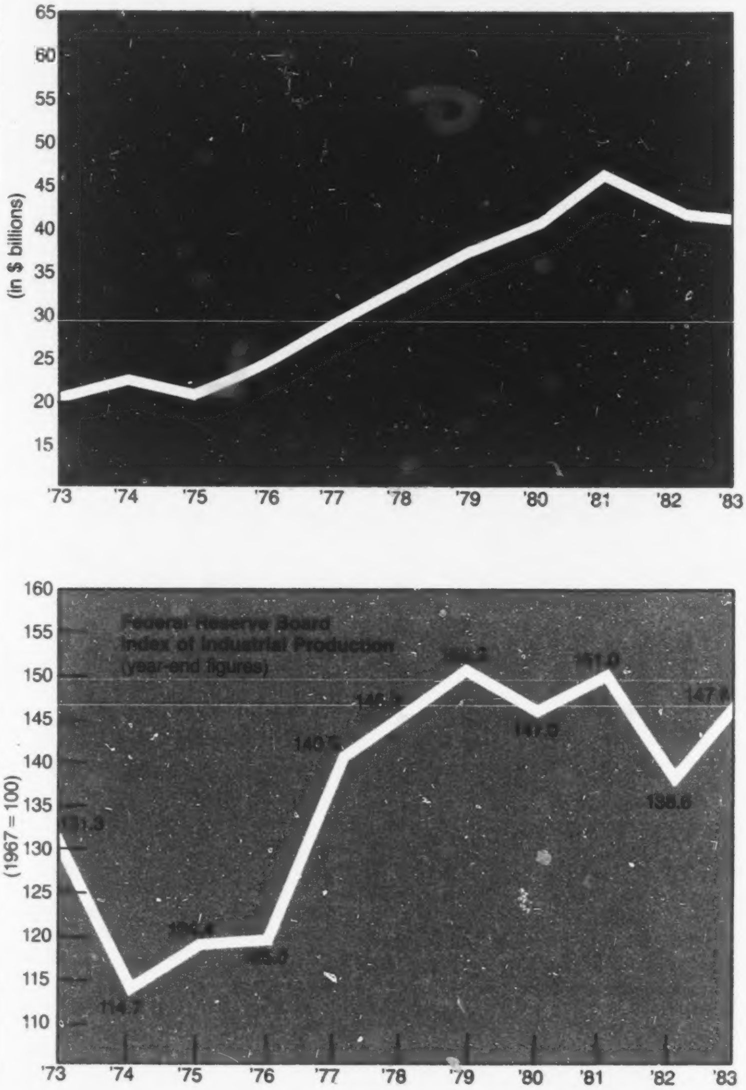
Sales steady in April . . .

| SALES BY REGIONS (% change) | April '84 vs March '84 Gen. | Spec. | Both | April '84 vs April '83 Gen. | Spec. | Both | 1st 4 mo. '83 vs 1st 4 mo. '83 Gen. | Spec. | Both |
|---|---|---|---|---|---|---|---|---|---|
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | 0 | −5 | −3 | +21 | +22 | +22 | +14 | +25 | +21 |
| Connecticut | — | — | — | — | — | — | — | — | — |
| Massachusetts | −8 | −4 | −5 | +22 | +27 | +25 | +16 | +27 | +24 |
| **MIDDLE ATLANTIC:** NY, NJ, PA | −12 | −5 | −8 | −15 | +24 | +20 | +13 | +19 | +17 |
| New York Metropolitan Area | — | — | — | — | — | — | — | — | — |
| Upstate New York | −4 | −9 | −5 | +20 | +22 | +21 | +15 | +33 | +21 |
| Pennsylvania | −12 | −5 | −8 | +16 | +34 | +26 | +17 | +27 | +23 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, | −6 | −12 | −9 | +34 | +17 | +25 | +24 | +19 | +22 |
| SC, VA, WV | — | — | — | — | — | — | — | — | — |
| Georgia-Florida | −7 | −10 | −10 | +18 | +26 | +24 | +10 | +23 | +20 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | −6 | −12 | −9 | +32 | +20 | +25 | +33 | +28 | +30 |
| Indiana | — | — | — | — | — | — | — | — | — |
| Wisconsin | −3 | −12 | −11 | +20 | +22 | +22 | +23 | +43 | +38 |
| Chicago | — | — | — | — | — | — | — | — | — |
| Michigan | −2 | −13 | −7 | +37 | +52 | +43 | +34 | +42 | +38 |
| Ohio | — | −5 | — | — | +41 | — | — | +23 | — |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | — | — | — | — | — | — | — | — | — |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | −26 | −5 | −8 | +11 | +20 | +18 | +1 | +24 | +20 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | +20 | −21 | −18 | +25 | +15 | +16 | — | +16 | — |
| Texas | — | −21 | — | — | +15 | — | — | +16 | — |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | — | — | — | — | — | — | — | — | — |
| **PACIFIC:** CA, OR, WA | +7 | −13 | +1 | +24 | +12 | +20 | +24 | +23 | +24 |
| L.A.-San Diego | — | — | — | — | — | — | — | — | — |
| Oregon-Washington | −2 | −13 | −11 | +22 | +3 | +11 | +27 | +13 | +19 |
| **U.S. TOTALS** | −3 | −1 | −8 | +27 | +19 | +23 | +25 | +23 | +24 |

# '83 sales short of recovery goal

**Mixed results describe distributor business for '83 in which a strong second half failed to overcome a weak first half. Profits held, however, and increases in return on investment figures indicated the resumption of health for the distribution industry in '84.**

## Industrial Distributor Sales Trends



### The year at a glance

**Gross profit: general line even, specialists even**
**Before-tax net: general line down, specialists up**
**Total compensation: general line down, specialists down**
**Return on investment: general line up, specialists up**

Distributor sales volume for the year was down another 3% in 1983, from $43.3 billion to $42.0 billion, after falling 9.4% in 1982. The 1983 drop appears disappointing when compared to the 6% gain registered by the Federal Reserve Board's Index of Industrial Production (see graphs).

Having lagged the economic downturn in late 1981, industrial distribution has similarly lagged the recovery in 1983. For the year, sales fell for general liners 6.2%, while increasing 4% for specialists. Mixed results for before-tax net profit and after-tax net profit, as well as operating costs, are indicative of the spotty nature the recovery was in at this point. (See graphs under "Profit and Loss.")

Part of the reason for last year's poor sales volume figure undoubtedly was due to the lag in capital spending. High ticket items are the last to be bought due to delayed commitments to both new plant construction and expansion of existing facilities. The caution exercised here also resulted in a weak market for original equipment manufacturing, an important customer of industrial distributors.

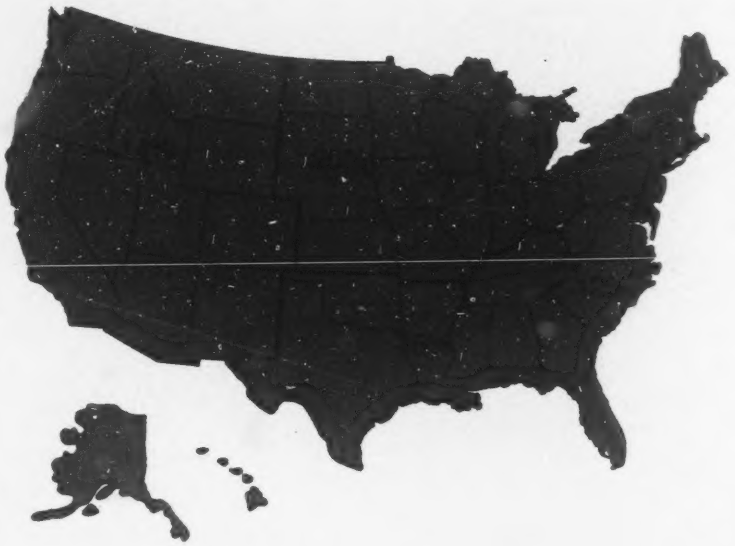
Inflation was not a factor in '83 sales, as slack demand resulted in lower prices until business picked up and prices stabilized later in the year.

### 'Inventory control' comes of age

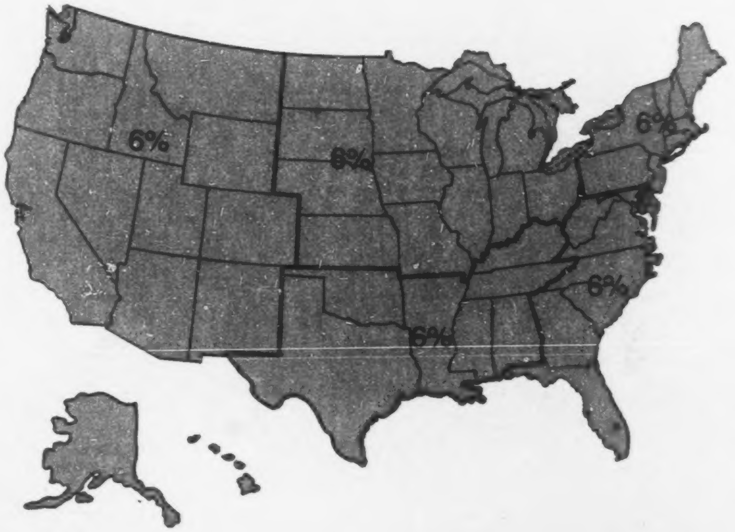
With falling shelf stock sales and high monthly inventory costs taking its toll in 1982 and half of 1983, it's not surprising that distributors, after the business recovery was evident, were reluctant to once again replenish inventories. Distributor attention in '83 was focused on computer techniques which would enable them to closely monitor inventory levels. Because reordering could be done automatically at low levels, and slow moving items could be readily detected and dealt with, the need for high inventory levels of the past was eliminated. However, as to be expected, EDP expense rose: outside costs for general

## '84 Forecasts

### Sales Forecasts for '84



### Price Forecasts for '84



liners were up 13.5%; inside costs for specialists rose 6.3%. This tended to cancel out savings in other areas of operations. (See graphs under "Operating Costs.")

### Optimism unanimous

With increased computer usage aiding productivity, and total compensation costs down due to reduced payroll and fringes, all distributors need for increased sales and profits in '84 is a good business climate. The result of this survey, taken in May, indicates that they unanimously believe they have it.

Distributor forecasts from around the country predict '84 sales in double figures. The highest prediction of 20% came from the North Central region; the lowest, 12%, from the South Atlantic region.

Median figures also show moderate inflation continuing at a 6% rate. Of course, this would indicate a belief in a moderate recovery, thereby tending to keep a lid on prices.

### Regional differences

It was widely predicted after the business slump of '82 that certain regions of the country would not recover as fast as others, and some would not recover at all. The reasoning was based on so-called "lost" industries for which product and/or material demand would never again reach major proportions.

While it may be too early to try to determine the credence of this theory, it is interesting to compare regional differences, noting the regions quickest and slowest to recover. (See the "Condensed table for comparison and analysis" at the end of this survey.")

---

***Medians and averages***

*All percentages used in this survey are medians.*

*The* ***median*** *number is the number which is larger than or equal to half of the other numbers, and equal to or smaller than the other half. For example: in series 4, 4, 5, 7, 10, the median is 5. The* ***average*** *of this series is 6, computed by totaling the five numbers (30) and dividing the number of numbers (30÷5).*

*The median number, then, is more representative of a group being surveyed because it will not be distorted by either extreme: very large or very small numbers.*

# Profit and Loss

Gross profit remained unchanged in '83, compared to '82, despite erratic sales performances for both general liners and specialists.

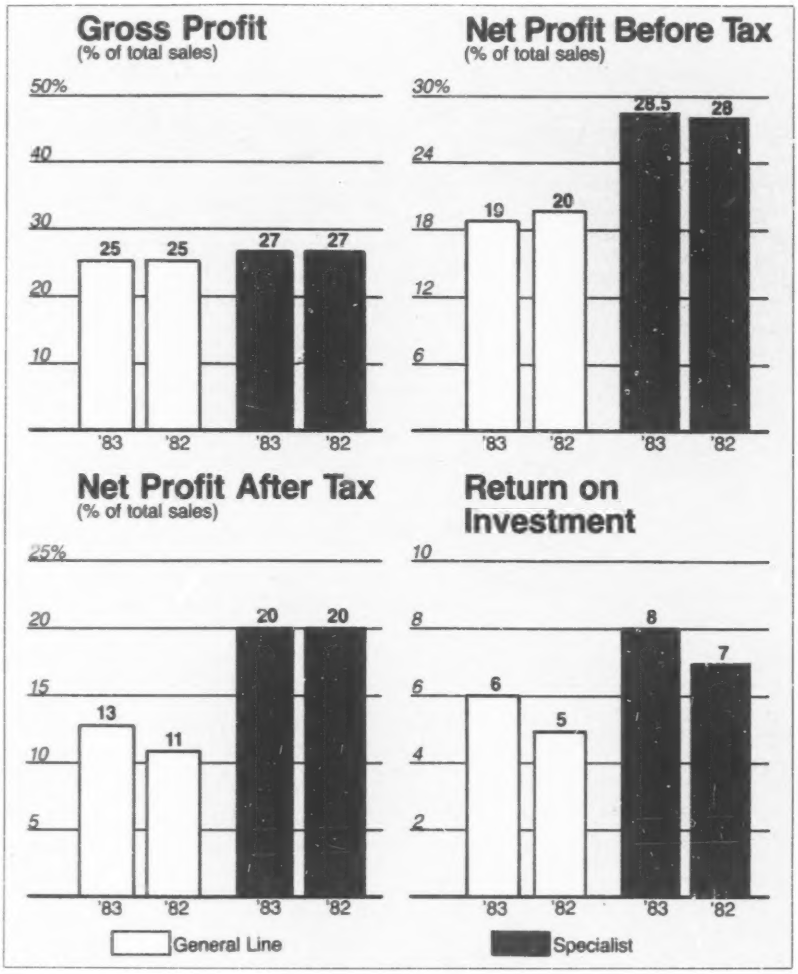
Net profit before tax was down 5% for general line distributors and up about 2% for specialists. Net profit after tax was up approximately 18% for general liners and stayed even for specialists. Return on investment, which slumped badly in '82, recovered in '83.

For general liners, return on investment rose 20% year-to-year, while specialists had an increase of 14%. These are significant, although not heady, figures when compared to drops of 50% and 37.5% respectively, 1982 vs. 1981.

Shelf stock sales, as a percent of total sales, fell approximately 6.5% for general liners while staying even for specialists. Shelf stock sales as a percent of gross profit remained even for general line distributors and fell about 4% for specialists.

The cost of goods sold as a percent of total sales, the reciprocal of gross profits, fell 1% in '83, or from 74% to 73% for general liners, and rose 1%, or from 71% to 72% for specialists. (These figures are not plotted graphically.)

In spite of leaner distributor operations, reduced figures for compensation and other operating expenses, sales and profits were not appreciably higher in 1983. With sales volume down, and pricing of goods remaining highly competitive, 1983 appears to have been more of a transition year than a robust one for the industrial distribution business.

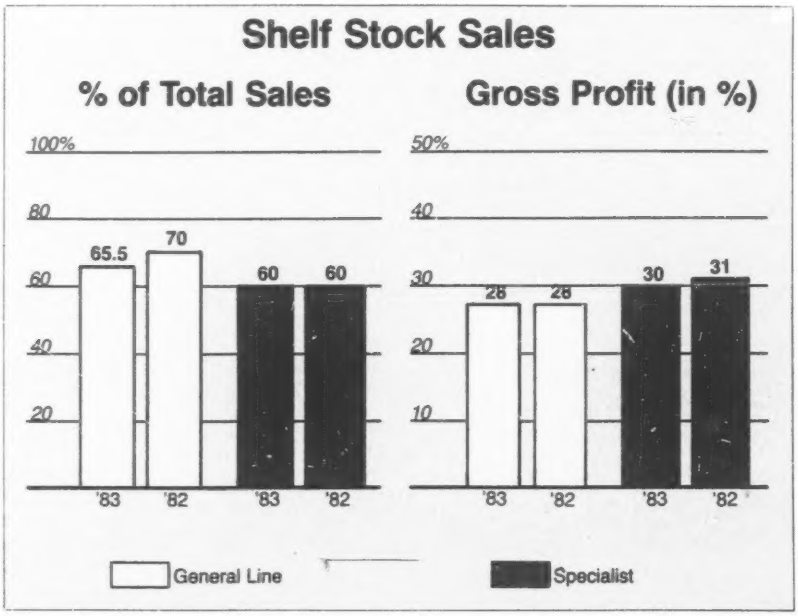


**Gross Profit**
(% of total sales)

**Net Profit Before Tax**
(% of total sales)

**Net Profit After Tax**
(% of total sales)

**Return on Investment**



**Shelf Stock Sales**

**% of Total Sales**

**Gross Profit (in %)**

# Operating Costs

Unlike the prior several years, operating costs did not rise for distributors in 1983, but were unchanged. Contrary to expectation, the number of employees did not change appreciably, and although payroll and fringes declined (see Total Compensation graph under "Personnel Statistics"), other expenses rose to cancel out the net savings.

For the year, general line distributors had increased insurance costs of 1%, a drop in EDP inside costs of 9%, and a rise in EDP outside costs of 6.3%.

Specialists in '83 similarly had mixed figures: a drop in insurance costs of 20%, a rise in EDP inside costs of 13.5%, and no change in EDP outside costs.

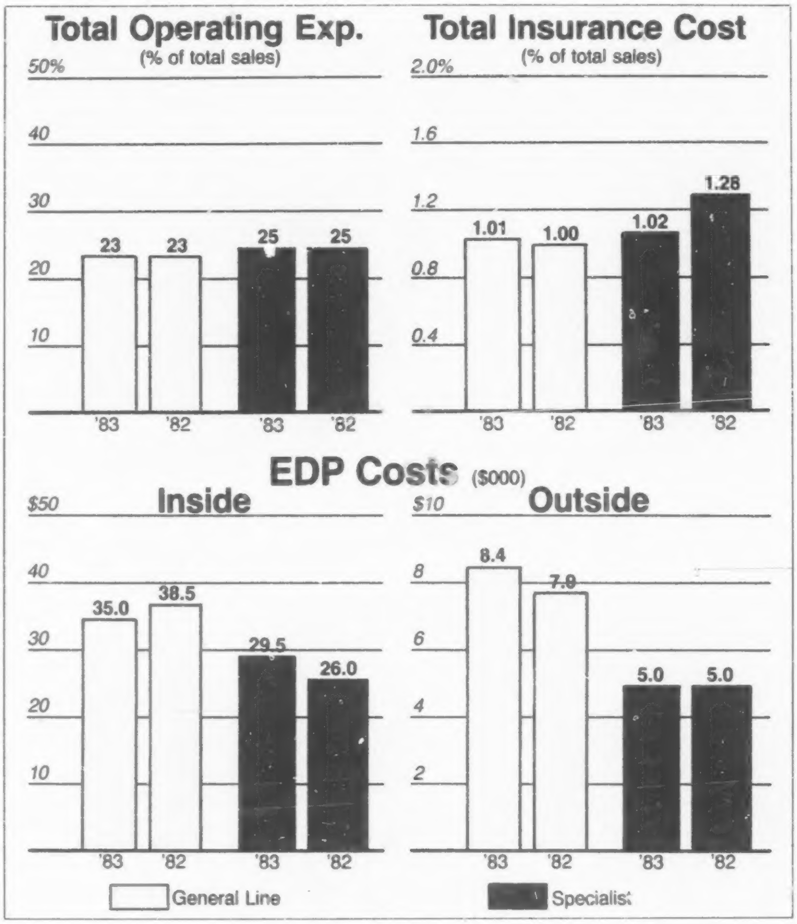
EDP costs are expected to rise across the board in 1984, as distributors are planning to further refine inventory control, along with numerous other business functions which lend themselves to computerization.

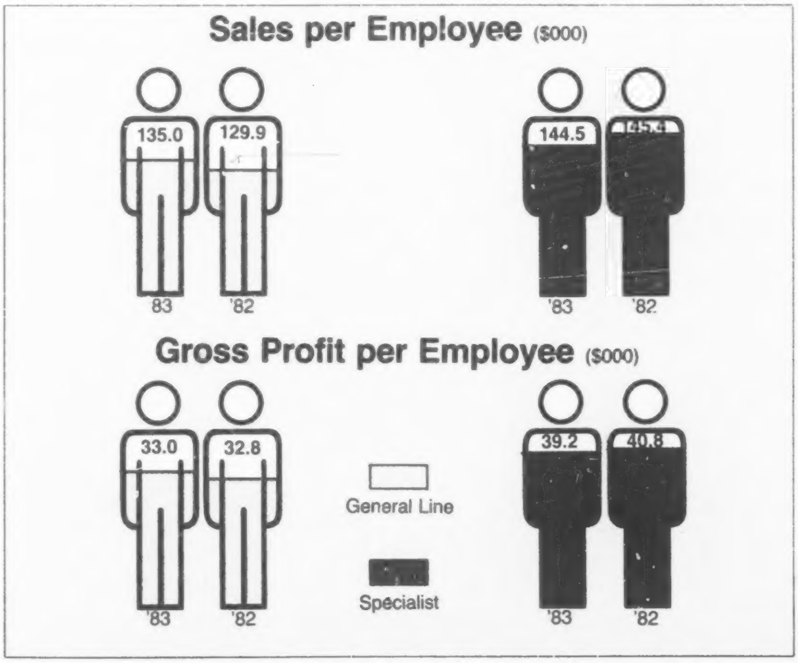
Of the general liners who are not yet computerized, 18.4% intend to do so in '84, 13.9% in '85. Of specialists in the same category, 21.6% plan on computerizing in '84, 10.6% in '85. These figures are not plotted graphically.

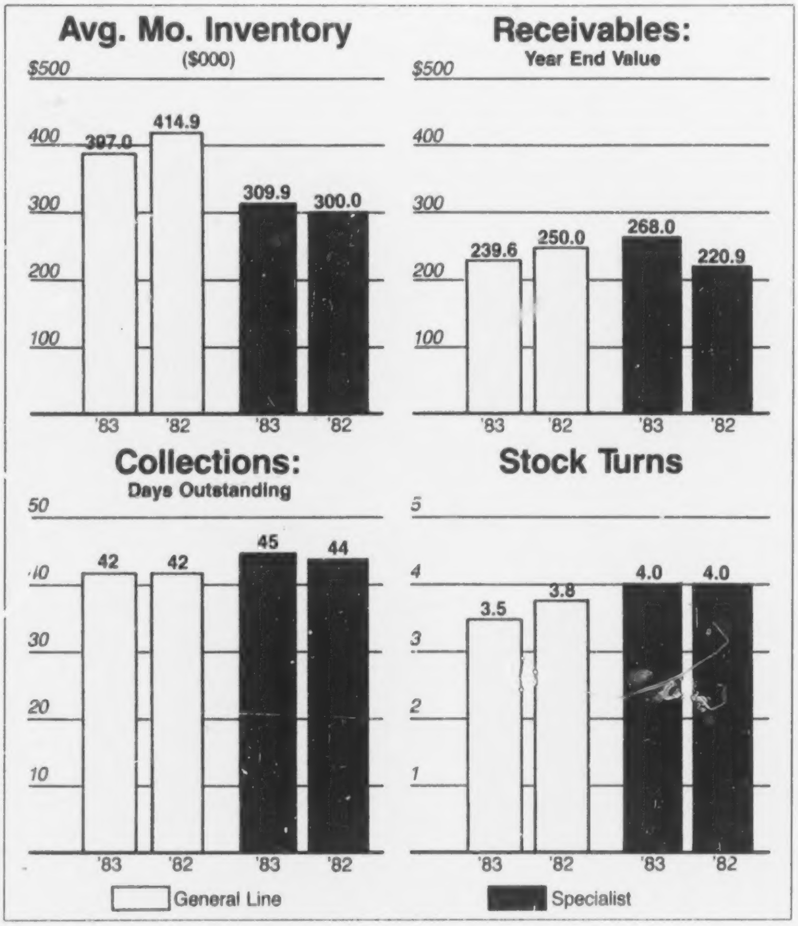
Disappointing results showed up in the sales and profit per employee figures, where tighter controls and greater productivity were expected to produce healthier ratios.

For general liners, sales/employee increased 3.9%, with gross profit/employee showing only a small increase of 0.6%.

For specialists, there was a drop in the sales/employee figure of 0.6%, and a drop in gross profit/employee of 3.9%.



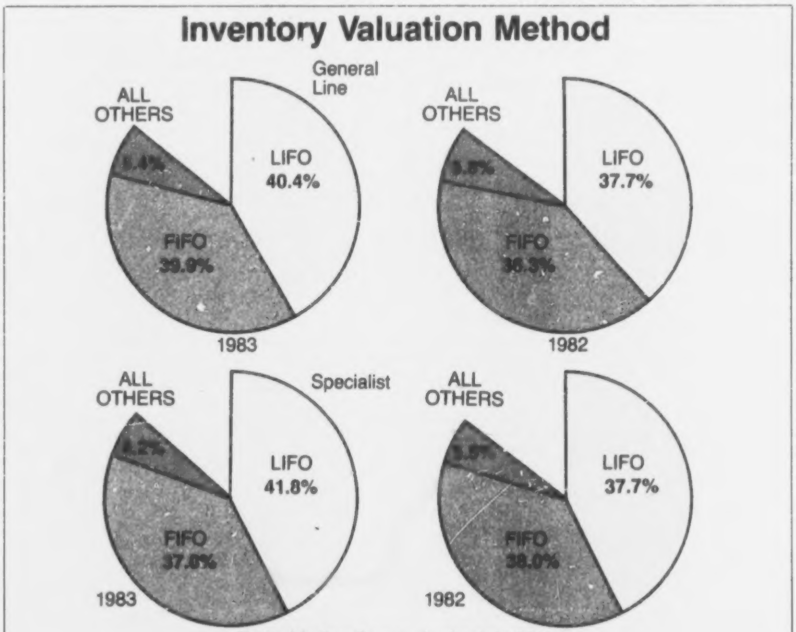



Avg. Mo. Inventory ($000)

Receivables: Year End Value

Collections: Days Outstanding

Stock Turns


Inventory Valuation Method

**Note:** Median figures don't total 100%.

# Inventory Data

Reflecting the late recovery in industrial distribution, stock turns failed to increase in '83 for either general liners or specialists. This is one of the few areas where both types of distributors have figures that do not disagree.

Average monthly inventory has general line distributors falling 4.3% for last year, while specialists rose 3.3%. Receivables dropped 4.2% for general liners, rose a robust 21.3% for specialists.

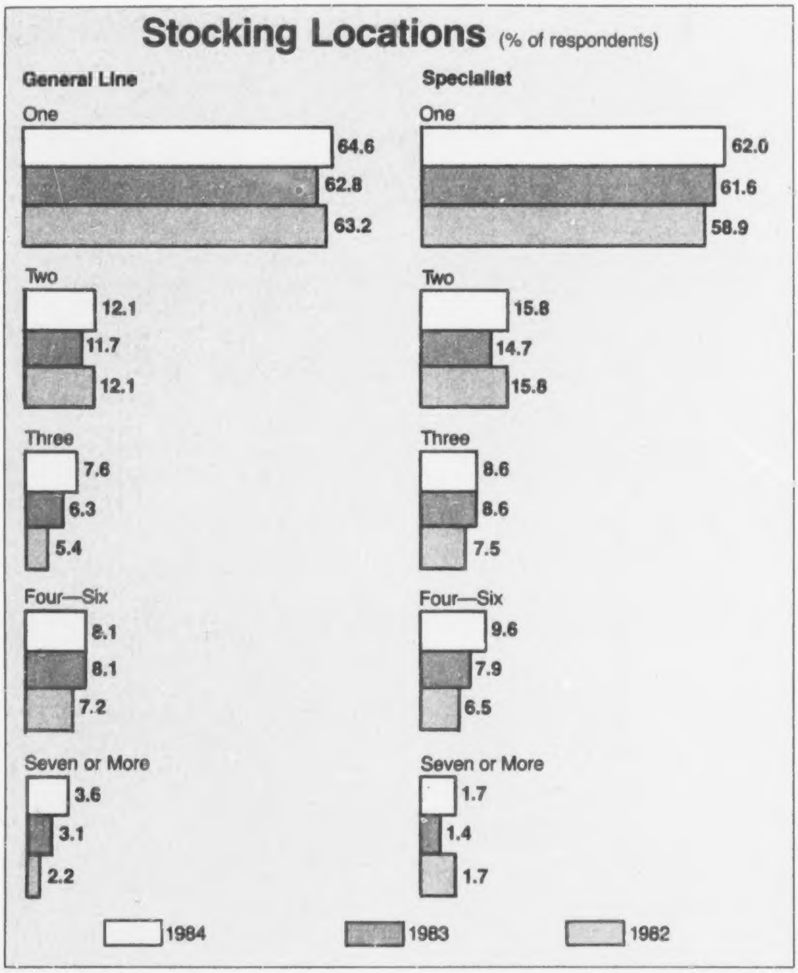
Collection figures were even for the general line distributor, and up for specialists, 2.3%. In the important category of stock turns, neither was up, with general line falling 7.8%, and specialists even on the year.

Stock turns are calculated by multiplying the percent of shelf stock sales by total sales, and dividing the result by the average monthly inventory value.

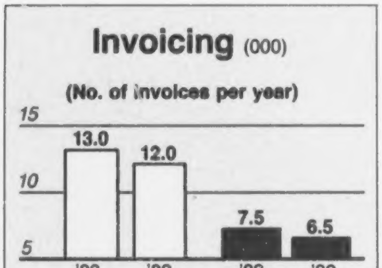
In the accounting area, both types of distributors were up for increased LIFO usage, 7.2% for general liners and 10.9% for specialists. FIFO increased 9.9% for general liners and fell 2.6% for specialists.

The move toward LIFO, although higher than last year's figures, seems to have leveled off in terms of percent increase, which is approximately the same as in last year's survey.

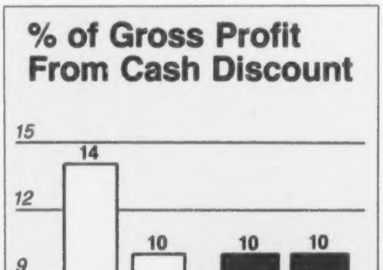
The "all others" category in the Inventory Valuation Method probably reflects the lower of cost or market method.



Stocking Locations (% of respondents)



Invoicing (000)



% of Gross Profit From Cash Discount

# Business Trends

Distributor stocking locations did not show any declines in 1983 in any of the categories, compared to last year's figures. Indications are that a meaningful percentage of distributors will be adding branches in 1984.

In the "two" category for stocking locations (all categories include a distributor's corporate headquarters), figures indicate that branch reductions effected in 1982-83 period will be restored in 1984 by 12.1% of general liners, and 15.8% of specialists.

In the "seven or more" category, 3.6% of general line distributors, and 1.7% of specialists, plan increases.

These figures are only meaningful comparatively, that is, with respect to last year's figures, and show the degree of optimism, or pessimism, that prevails in the industry. While plans for opening branches are most probably accurate, the converse, plans for closing branches, are hard to ascertain. This is because few distributors can accurately predict this early in the year, whether or not they intend to close down a branch by the end of the year.

Invoices per year advanced 8.3% for general liners and 15.4% for specialists, with lines of billing per invoice even for general liners and up 33%, or from 3 to 4, for specialists.

Although a 40% increase for general liners in their % of Gross Profit From Cash Discounts is shown, with specialists staying even, these figures are usually "roughed in" by respondents. The reason for this is that it is difficult for distributors to accurately know at the end of the year how much of their sales came from this benefit. As more distributors utilize computers, this figure will become more accurate.

# Personnel Statistics

**Total compensation (payroll + fringes) fell only slightly for general line distributors, who increased personnel in '83, and fell a significant amount for specialists, who cut personnel in 1983.**

**The total number of full time employees advanced from 17 in '82 to 18 in '83 for general liners, who maintained a constant work force of 4 people in outside sales and 3 in inside sales, year-to-year.**

**Specialists trimmed personnel slightly in '83, dropping from 3.5 to 3 in outside sales while maintaining an even 2 people functioning in inside sales for '82 and '83.**

**Expectations for '84 indicate general line distributors will maintain their current level for sales personnel, while specialists plan an increase of 1 person for both outside and inside sales.**

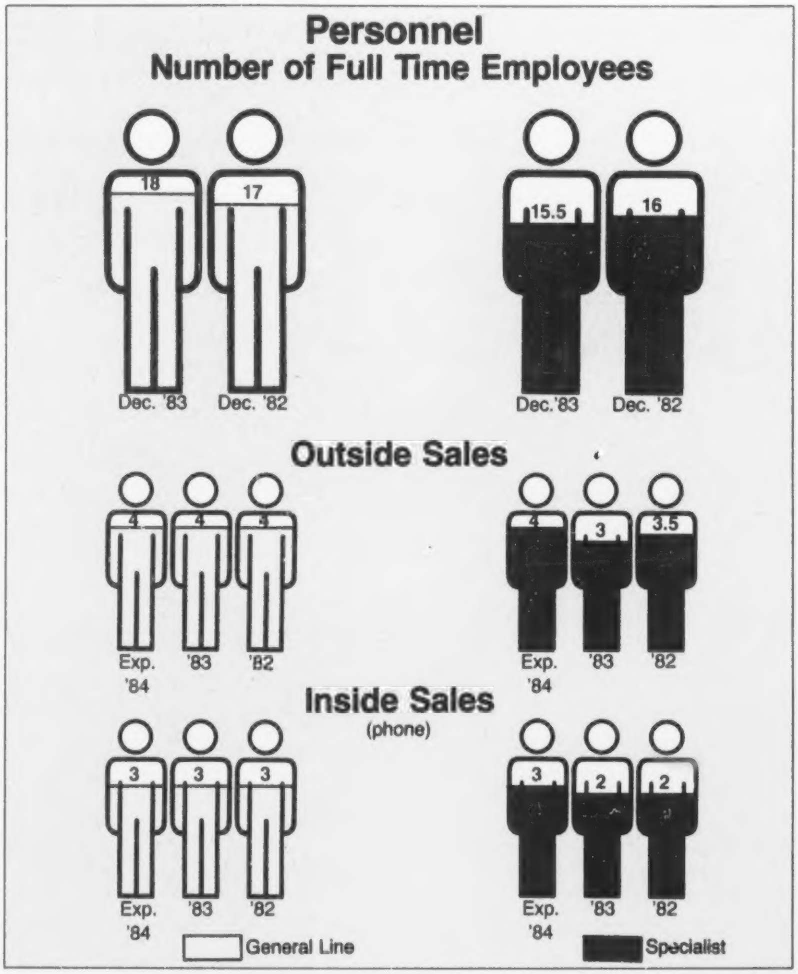
**Total compensation figures have general liners' expenses dropping 0.2%, and specialists falling 6.4%.**

**Median dollar figures for distributors in '83 were similar: $339,400 for general liners, and $353,200 for specialists.**

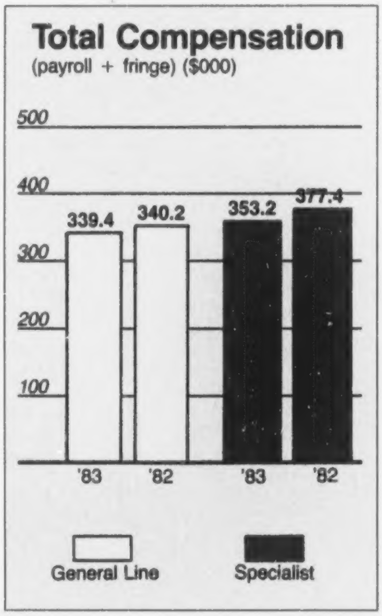
**Total warehouse space remained the same for general liners (15,000 sq. ft.), and for specialists (10,000 sq. ft.), 1983 compared to 1982.**

**For 1984, 18.8% of the general line distributors queried plan on increasing warehouse space; 24% of specialists plan increases.**

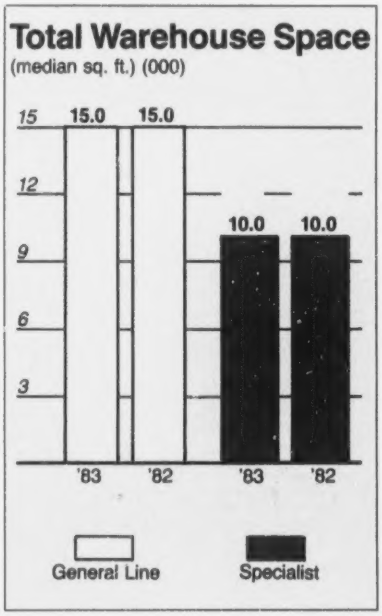
**Of the general liners, 11% plan on decreasing space; 8% of the specialists plan decreases.**



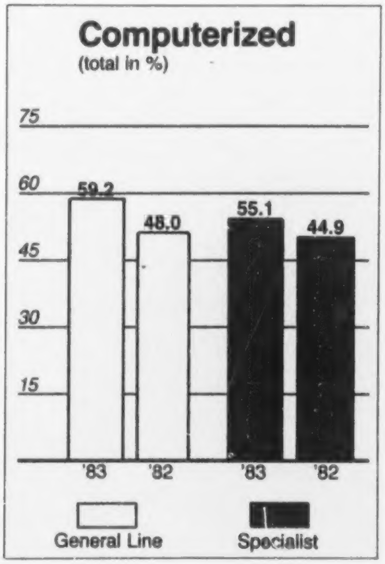
**Personnel**
**Number of Full Time Employees**

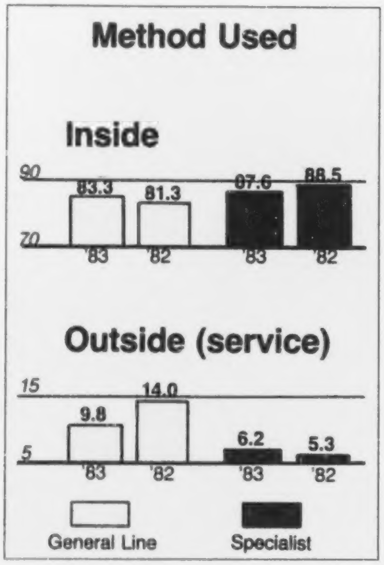


**Total Compensation**
(payroll + fringe) ($000)



**Total Warehouse Space**
(median sq. ft.) (000)





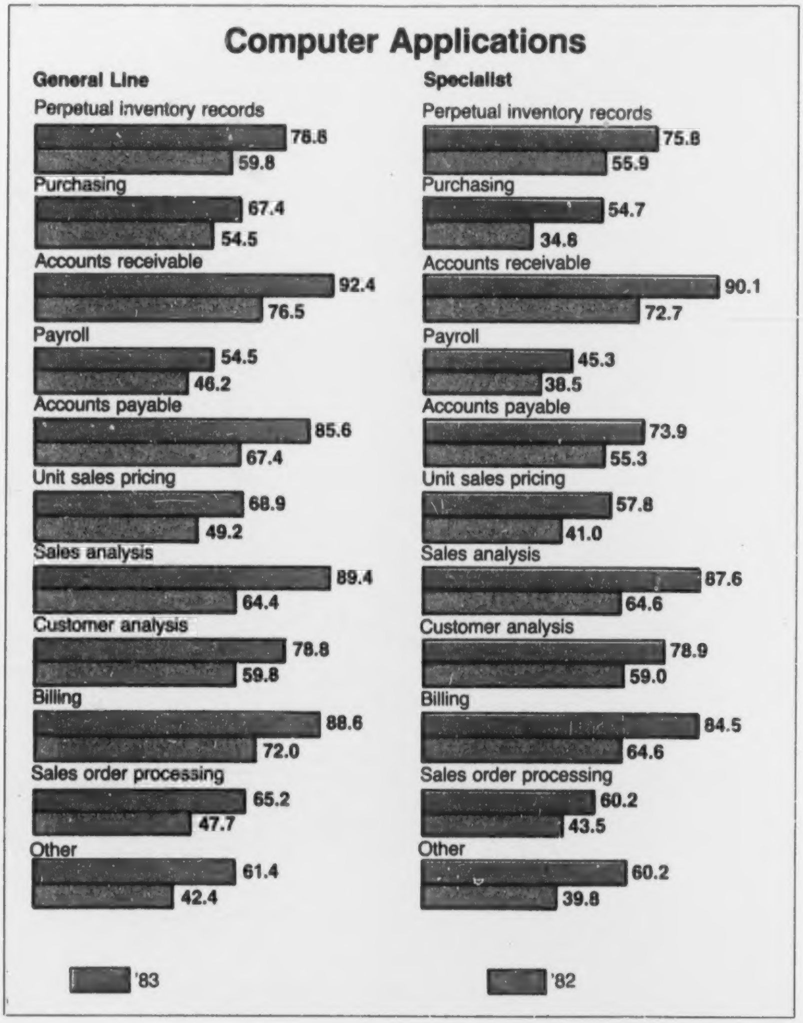
## Computer Usage

The use of outside computer services for distributors continues to dwindle with the increased purchasing of in-house computer systems.

Despite differences between general line and specialist figures for "Method Used," percentage of usage for inside systems continues to gain ground. For general liners, inside usage increased 2.4% while outside usage fell 30%. For specialists, inside usage fell 1%, while outside usage increased 16.9%. The latter figures indicate specialists relied more on outside services in 1983 than did general liners. Nevertheless, the total percentage using inside systems (87.6%) is indicative of the way the distribution industry is going.

Of the inside computer users, 75.8% of general liners claim they own their own equipment in '83, as opposed to 20.5% who lease/rent. For specialists, 80.1% own, with 14.3% in the lease/rent category. These figures are not plotted graphically.

The order of usage, in percent of importance, is for general liners: (1) accounts receivable, (2) sales analysis, (3) billing, (4) accounts payable, (5) perpetual inventory records, (6) customer analysis, (7) unit sales pricing, (8) purchasing, (9) sales order processing, (10) payroll. For specialists: (1) accounts receivable, (2) sales analysis, (3) billing, (4) customer analysis, (5) perpetual inventory, (6) accounts payable, (7) sales order processing, (8) unit sales pricing, (9) purchasing, (10) payroll.



# Condensed table for comparison and analysis

| | National | | Your figures | Northeast | | Your figures |
|---|---|---|---|---|---|---|
| | '83 | '82 | | '83 | '82 | |
| Total sales ($000) | $2,117 | $2,200 | | $2,335 | $2,373 | |
| Sales from stock (% of total sales) | 60.0% | 61.0% | | 62.5% | 70.0% | |
| Gross profit (% of total sales) | 26.0% | 26.0% | | 28.5% | 27.5% | |
| Total operating expenses (% of total sales) | 24.0% | 24.0% | | 28.0% | 27.0% | |
| Net profit before tax (% of total sales) | 22.0% | 20.0% | | 22.0% | 20.0% | |
| Net profit after tax (% of total sales) | 16.0% | 16.5% | | 16.5% | 11.0% | |
| ROI (return on net worth) | 7.0% | 6.5% | | 10.0% | 6.0% | |
| Sales per employee ($000) | $140.0 | $139.4 | | $147.9 | $125.0 | |
| Gross profit per employee ($000) | $ 36.7 | $ 37.0 | | $ 39.8 | $ 37.1 | |
| Monthly inventory value ($000) | $348.1 | $350.0 | | $384.4 | $375.3 | |
| Receivables value as of Dec. 31 ($000) | $260.0 | $233.6 | | $313.0 | $228.5 | |
| No. days outstanding at Dec. 31 | 44.0 | 43.0 | | 45.0 | 45.0 | |
| No. of invoices billed (000) | 10.4 | 10.00 | | 17.5 | 17.2 | |
| No. of lines of billing per invoice | 4.0 | 3.0 | | 4.0 | 4.0 | |
| ------ | | | | | | |
| No. of employees | 16.5 | 16.0 | | 22.0 | 21.0 | |
| No. of outside salesmen | 3.0 | 4.0 | | 4.0 | 4.0 | |
| No. of inside (phone and counter) salesmen | 4.0 | 4.0 | | 5.0 | 5.0 | |
| Warehouse sq ft (000, including branches) | 11.0 | 10.0 | | 15.0 | 12.0 | |
| No. of branch locations (avg.) | 1.0 | 1.0 | | 1.0 | 1.0 | |
| Total compensation (avg., $000) | $346.4 | $313.5 | | $442.2 | $438.7 | |

| | South Atlantic | | Your figures | North Central | | Your figures |
|---|---|---|---|---|---|---|
| | '83 | '82 | | '83 | '82 | |
| Total sales ($000) | $1,804 | $1,760 | | $2,050 | $2,050 | |
| Sales from stock (% of total sales) | 60.0% | 67.5% | | 60.0% | 60.0% | |
| Gross profit (% of total sales) | 26.0% | 25.5% | | 24.0% | 25.0% | |
| Total operating expenses (% of total sales) | 23.0% | 23.0% | | 22.0% | 22.0% | |
| Net profit before tax (% of total sales) | 25.0% | 20.0% | | 20.0% | 20.0% | |
| Net profit after tax (% of total sales) | 18.0% | 16.5% | | 12.0% | 10.0% | |
| ROI (return on net worth) | 8.0% | 8.0% | | 5.0% | 4.0% | |
| Sales per employee ($000) | $139.4 | $137.5 | | $144.7 | $147.1 | |
| Gross profit per employee ($000) | $ 35.6 | $ 36.6 | | $ 33.7 | $ 35.6 | |
| Monthly inventory value ($000) | $290.0 | $297.2 | | $285.0 | $280.4 | |
| Receivables value as of Dec. 31 ($000) | $193.7 | $210.5 | | $285.5 | $255.5 | |
| No. days outstanding at Dec. 31 | 43.0 | 42.5 | | 45.0 | 43.5 | |
| No. of invoices billed (000) | 7.2 | 6.8 | | 6.6 | 6.1 | |
| No. of lines of billing per invoice | 4.0 | 4.0 | | 3.0 | 3.0 | |
| ------ | | | | | | |
| No. of employees | 15.0 | 14.0 | | 14.5 | 15.0 | |
| No. of outside salesmen | 3.0 | 3.0 | | 4.0 | 4.0 | |
| No. of inside (phone and counter) salesmen | 3.0 | 3.0 | | 3.0 | 3.0 | |
| Warehouse sq ft (000, including branches) | 10.0 | 10.0 | | 10.0 | 10.0 | |
| No. of branch locations (avg.) | 1.0 | 1.0 | | 1.0 | 1.0 | |
| Total compensation (avg., $000) | $316.1 | $332.8 | | $330.0 | $330.0 | |

| | South Central | | Your figures | West | | Your figures |
|---|---|---|---|---|---|---|
| | '83 | '82 | | '83 | '82 | |
| Total sales ($000) | $2,676 | $2,579 | | $2,773 | $2,500 | |
| Sales from stock (% of total sales) | 60.0% | 60.0% | | 65.5% | 68.0% | |
| Gross profit (% of total sales) | 28.5% | 28.0% | | 29.0% | 30.0% | |
| Total operating expenses (% of total sales) | 26.0% | 25.0% | | 27.0% | 28.0% | |
| Net profit before tax (% of total sales) | 28.0% | 35.0% | | 26.0% | 15.0% | |
| Net profit after tax (% of total sales) | 24.5% | 23.5% | | 18.0% | 11.0% | |
| ROI (return on net worth) | 5.0% | 8.0% | | 10.0% | 4.5% | |
| Sales per employee ($000) | $131.3 | $126.6 | | $136.7 | $137.7 | |
| Gross profit per employee ($000) | $ 36.7 | $ 37.2 | | $ 39.6 | $ 38.8 | |
| Monthly inventory value ($000) | $420.0 | $350.0 | | $500.0 | $466.0 | |
| Receivables value as of Dec. 31 ($000) | $236.3 | $206.9 | | $273.0 | $233.0 | |
| No. days outstanding at Dec. 31 | 42.0 | 40.5 | | 44.0 | 45.0 | |
| No. of invoices billed (000) | 17.4 | 17.7 | | 14.0 | 16.1 | |
| No. of lines of billing per invoice | 4.0 | 4.0 | | 4.0 | 4.0 | |
| ------ | | | | | | |
| No. of employees | 22.0 | 20.0 | | 20.0 | 20.0 | |
| No. of outside salesmen | 4.0 | 4.0 | | 4.0 | 4.0 | |
| No. of inside (phone and counter) salesmen | 6.0 | 5.0 | | 4.0 | 4.0 | |
| Warehouse sq ft (000, including branches) | 14.0 | 11.0 | | 13.5 | 12.0 | |
| No. of branch locations (avg.) | 1.0 | 1.0 | | 1.0 | 1.0 | |
| Total compensation (avg., $000) | $413.0 | $408.9 | | $360.6 | $340.5 | |

**Note: All figures are in medians, except where averages are specified.**

# *ID's* QUARTERLY INFLATION INDEX

For the first quarter of 1984 the *Silver/ID Index* of industrial commodities (Table 2) went up at an annual rate of 4.4%, as against 3.2% for the same quarter a year ago. For the fourth quarter of 1983, the annualized rise was only 1.2%, and the rise for the entire year of 1983 was only 2.9%. Because many vendors announce changes at the beginning of a new calendar year, projections of the first quarter usually exceed the actual rise for the year.

But this year is not likely to follow last year's pattern. NIDA/SIDA's unit sales (dollar sales adjusted for inflation) for March of 1984 are running 20.6% ahead of March, 1983, whereas March 1983 were running 20.4% below March, 1982. Since the smokestack industry is one of the last to improve in the current recovery, it is instructive to note from Table 1 that the inflation rate for the current quarter is much higher in industries directly impacted by the steep rise in housing construction. McGraw-Hill's *Electrical Marketing Index* for the first quarter is rising at a 4.8% annual rate, and the *Silver/Wholesaler Index* of plumbing and heating products rose at a 5.6% rate. These two indexes, and the *NIDA/SIDA Index*, all ran substantially higher for the single month of April 1984 (not covered in our quarterly report).

Only four of the BLS price indexes went down for this quarter. The other 29 went up. Six lines rose by 0-3%, 12 lines by 3.1-6%, and 11 lines by over 6%—all on an annualized basis.

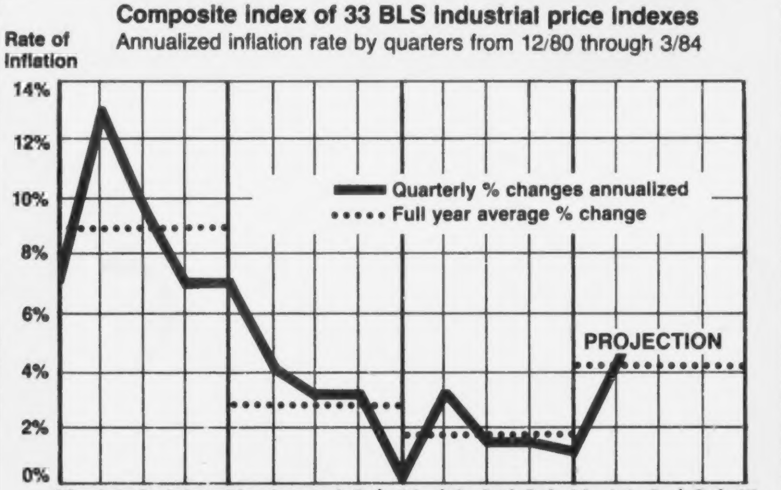
Note that the *NIDA/SIDA Index* of 10 industrial commodities shows an annualized increase of only 2.0% for this first quarter, compared to our 4.4% for our index of 33 industrial commodities. Such short run differences are not unusual due to the sampling differences. Since the *Producers Price Index for Industrial Commodities* also shows a 414% annualized increase for this quarter, and since the April *NIDA/SIDA Index* jumped to an annualized rate of almost 7% for that month, do not be unduly concerned about this short term difference.

Beginning with this issue, we show the date of BLS revised a commodity and reduced its price index to 100.0 as a base price. As a result of such a change electric motors, which could have been at 335.0 recently changed to (1) fractional HP motors and (2) integral HP motors. When such a change is made the *BLS Price Index* starts all over again at 100. Only by showing the date of such changes can the reader know that such indexes do not purport to reflect the total inflation since the ba-

## Table 1—Comparing inflation indexes

| | *BLS inflation rates (%) | | | |
|---|---|---|---|---|
| | Current qtr 3/84 vs 12/83 annualized | Year-to-date 3/84 vs 12/83 annualized | 3/84 vs 3/83 | 12/83 vs 12/82 |
| **Silver/*ID* index of 33 industrial product groups** | 4.4% | 4.4% | 3.1% | 2.0% |
| **NIDA/SIDA index of 10 industrial product groups** | 2.0% | 2.0% | 1.6% | 1.7% |
| ****PPI index of industrial commodities** | 4.4% | 4.4% | 2.7% | 1.1% |
| **Avg. of above indexes** | 3.6% | 3.6% | 2.5% | 1.6% |
| ****PPI index of finished goods (indl/agric)** | 6.4% | 6.4% | 2.9% | 0.7% |
| **Silver/Wholesaler index of 13 lines (plmgb/htng)** | 5.6% | 5.6% | 4.0% | 4.0% |
| **Electrical Marketing index of 24 product groups** | 4.8% | 4.8% | 4.4% | 4.2% |
| *****NAED inflation index: 16 product groups** | 6.4% | 6.4% | 4.9% | 6.6% |
| **Consumer Price index** | 5.2% | 5.2% | 4.7% | 3.8% |

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Upcoming reports will follow the above format.


**Composite index of 33 BLS industrial price indexes**
Annualized inflation rate by quarters from 12/80 through 3/84

© 1984 by Alan Silver

## Table 2—ID quarterly inflation index (1967 = 100)

| Col. 1 | Col. 2 | Col. 3 | Col. 4 | Col. 5 | Col. 6 | Col. 7 | Col. 8 | Col. 9 | Col. 10 | Col. 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Product category** | **Current qtr 3/84** | **Previous qtr 12/83** | **% inflation** | **Current qtr. annualized %** | **Year-to-date 3/84 vs 12/83 %** | **Year-to-date 3/84 vs 12/83 annualized %** | **Last 12 months** | **4th qtr 83** | **4th qtr 82** | **Annual inflation 83 %** |
| **Industrial oil | 372.3 | 371.7 | 0.2 | 0.8 | 0.2 | 0.8 | 0.4 | 371.7 | 372.9 | −0.3 |
| Prepared paint | 267.3 | 264.9 | 0.9 | 3.6 | 0.9 | 3.6 | 0.8 | 264.9 | 265.1 | −0.1 |
| *Rubber belts & belting | 334.5 | 334.1 | 0.1 | 0.4 | 0.1 | 0.4 | 1.6 | 334.1 | 328.1 | 1.8 |
| Other misc. rubber products | 306.6 | 298.2 | 2.8 | 11.2 | 2.8 | 11.2 | 1.2 | 298.2 | 294.3 | 1.3 |
| Plastic construction products | 166.3 | 170.2 | −2.3 | −9.2 | −2.3 | −9.2 | 13.1 | 170.2 | 153.1 | 11.2 |
| Semi-finished steel products | 372.9 | 370.0 | 0.8 | 3.2 | 0.8 | 3.2 | 0.3 | 370.0 | 368.7 | 0.4 |
| Wire & cable | 204.6 | 201.5 | 1.5 | 6.0 | 1.5 | 6.0 | −0.7 | 201.5 | 198.1 | 1.7 |
| ***Electric wire & cable | 103.7 | 103.2 | 0.5 | 2.0 | 0.5 | 2.0 | 3.6 | 103.2 | 100.0 | 3.2 |
| ***Building wire & cable | 103.7 | 104.9 | −1.1 | −4.4 | −1.1 | −4.4 | 7.9 | 104.9 | 100.0 | 4.9 |
| Builders hardware | 294.8 | 290.7 | 1.4 | 5.6 | 1.4 | 5.6 | 6.0 | 290.7 | 272.6 | 6.6 |
| *Hand tools | 356.0 | 351.0 | 1.4 | 5.6 | 1.4 | 5.6 | 3.3 | 351.0 | 342.1 | 2.6 |
| *Misc. metal products | 292.7 | 289.3 | 1.2 | 4.8 | 1.2 | 4.8 | 1.0 | 289.3 | 288.7 | 0.2 |
| Industrial safety eq. | 134.1 | 133.5 | 0.4 | 1.6 | 0.4 | 1.6 | 1.0 | 133.5 | 130.6 | 2.2 |
| *Bolts, nuts, screws & rivets (fasteners) | 274.4 | 271.7 | 1.0 | 4.0 | 1.0 | 4.0 | 2.0 | 271.7 | 270.0 | 0.6 |
| *Power-drive hand tools | 223.0 | 220.9 | 1.0 | 4.0 | 1.0 | 4.0 | 1.0 | 220.9 | 221.6 | −0.3 |
| Welding machines & eq. | 279.0 | 273.2 | 2.1 | 8.4 | 2.1 | 8.4 | 1.8 | 273.2 | 273.1 | 0.04 |
| *Cutting tools & accessories | 278.3 | 275.8 | 0.9 | 3.6 | 0.9 | 3.6 | 1.8 | 275.8 | 272.1 | 1.4 |
| Precision measuring tools | 253.0 | 244.4 | 3.5 | 14.0 | 3.5 | 14.0 | 3.3 | 244.4 | 241.5 | 1.2 |
| *Abrasive products | 310.0 | 305.2 | 1.6 | 6.4 | 1.6 | 6.4 | 1.5 | 305.2 | 298.4 | 2.3 |
| Metal cutting machine tools | 383.6 | 379.3 | 1.1 | 4.4 | 1.1 | 4.4 | 2.4 | 379.3 | 372.7 | 1.8 |
| Metal forming machine tools | 421.1 | 422.6 | −0.4 | −1.6 | −0.4 | −1.6 | 1.6 | 422.6 | 411.8 | 2.6 |
| Pumps, compressors & eq. | 349.3 | 346.3 | 0.9 | 3.6 | 0.9 | 3.6 | 0.4 | 346.3 | 348.2 | −0.5 |
| Fluid power eq. | 257.4 | 254.3 | 1.2 | 4.8 | 1.2 | 4.8 | 2.3 | 254.3 | 248.9 | 2.2 |
| *Industrial material handling eq. | 287.6 | 286.5 | 0.4 | 1.6 | 0.4 | 1.6 | 0.8 | 286.5 | 286.9 | −0.1 |
| *Mechanical power transmission eq. | 322.9 | 320.4 | 0.8 | 3.2 | 0.8 | 3.2 | 2.7 | 320.4 | 312.0 | 2.7 |
| *Metal valves, (except fluid power) | 101.8 | 100.1 | 1.7 | 6.8 | 1.7 | 6.8 | 1.8 | 100.1 | 100.0 | 0.1 |
| *Metal pipe fittings | 106.8 | 103.3 | 3.4 | 13.6 | 3.4 | 13.6 | 6.1 | 103.3 | 100.0 | 3.3 |
| Ball & roller bearings | 338.8 | 333.2 | 1.7 | 6.8 | 1.7 | 6.8 | 2.3 | 333.2 | 335.3 | −0.6 |
| Plain bearings | 264.7 | 260.0 | 1.8 | 7.2 | 1.8 | 7.2 | 1.5 | 260.0 | 257.0 | 1.2 |
| Wiring devices | 350.5 | 341.9 | 2.5 | 10.0 | 2.5 | 10.0 | 6.0 | 341.9 | 327.8 | 4.3 |
| Electrical instruments | 229.6 | 274.8 | −1.6 | −6.4 | −1.6 | −6.4 | 14.4 | 274.8 | 261.9 | 4.9 |
| ****Electric motors | 104.1 | 100.4 | 3.7 | 14.8 | 3.7 | 14.8 | — | 100.4 | — | 5.2 |
| Generators & generator sets | 101.7 | 100.7 | 1.0 | 4.0 | 1.0 | 4.0 | — | 100.7 | — | −8.0 |
| *NIDA/SIDA composite | 300.7 | 299.1 | 0.5 | 2.0 | 0.5 | 2.0 | 1.6 | 299.1 | 294.2 | 1.7 |
| Silver/ID composite | 294.0 | 290.8 | 1.1 | 4.4 | 1.1 | 4.4 | 3.1 | 290.8 | 286.2 | 2.0 |

*Included in NIDA/SIDA composite ** 12/73=100 *** 12/82=100 **** 6/83=100

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sic period of 1967. Where no date is shown, the base period is the average price index for 1967. We follow BLS statistical procedures, so that such technical "reductions" do not affect our inflation index.

Another new feature is that we will extend the graph we started to publish at the end of 1983, so you can easily see quarterly changes in the annualized inflation rate from Jan. 1982, when this index was first published consistently, to date. Note that in Jan. 1982 the inflation rate was still at 7.0% on an annualized basis. We doubt that our industrial index will get back to that in 1984, but it can easily reach a 5% or 6% rate. And if prosperity continues, wages will start chasing prices, and prices will start chasing wages, and inflation will again per-

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# ID's INDEX

sist. The many causes of the unbroken inflation trend from 1946 to 1982 are not likely to disappear whoever is president of the United States. What's the answer? For wholesalers, LIFO (no tax on inflation)!

### Inflation trend

With the improvement of business conditions, distributors are naturally concerned to see if better business will rekindle inflation. We are therefore expanding our quarterly inflation reports beyond Tables 1 and 2 to include a graph showing the trend of inflation from 1981 on.

Note that between 1981 and 1983 the average inflation rate dropped from about 9% to slightly under 2%, based on our Silver/ID Table of Inflation (Table 2), but for the first quarter of 1984 rose to about 4.2%. We project an average inflation rate of slightly over 4% for our index for 1984.

As you can see from the chart, ordinarily the inflation rate average for the year is considerably lower than a projection based only on the first quarter. This is because many vendors issue price changes in the first quarter of the calendar year. While this is also true for 1984, because we are in an upswing of the business cycle, we think the first quarter will be representative for this particular year. Wholesalers who let inventories fall when business was so drastically off are now filling the pipelines. Even if interest rates go up 2%, if inflation rises by 2% or 3% the real interest rate is the same or lower. As Table 1 shows, in electrical and plumbing, an even higher inflation rate than 4% is likely for 1984. This is due to the substantial rise in new construction.

### What's wrong with forecasts?

In the *Wall Street Journal* of June 15, conservative economist Milton Friedman and liberal economist John Kenneth Galbraith forecast a rise in inflation to 10% by the end of 1984. Two days later, broad-based *Producers Price Index* for finished goods showed no inflation for the second month in a row. Friedman says the Federal Reserve Board is expanding credit too fast. Galbraith cites the large deficit. In Galbraith's *Our Affluent Society*, first published 25 years ago, a great increase in government spending was advocated with not a hint that it might lead to inflation. When the Arab states quadrupled the price of oil a decade ago, Friedman predicted the OPEC combine wouldn't last. The fact is, so many imponderables are involved in such forecasts that they have little chance of being on target.

*Compiled by Alan Silver Associates, Inc., Highland Park, NJ*

# NOTE

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# Industrial Distribution

August 1984

Hotline:
Resale-price
maintenance
on the horizon
for distributors

## DELIVERING THE GOODS

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4250 EAST-WEST HIGHWAY
BETHESDA MA 20814

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# INDUSTRY NEWS...

## Indicators . . .

Despite the decline of some indicators, the overall trend is a positive one. The *NIDA-SIDA Industrial Distribution Index* rose to 134.9 in May, a 2.0% improvement over April. The largest single gain was in the south where the *Index* rose 3.7% to 125.5; this gain follows four months of decline. Continued improvement was shown in the west, up 2.6%, while the midwest dropped 0.2% and the east was down 2.4% The *NIDA-SIDA Industrial Supply Inflation Index* was up 0.6% in April. The current *Inflation Index* represents a 1.9% growth in inflation since April 1983 . . . The *SIDA Monthly Sales Trend Report* for April recorded a decline of 8.91 points from the previous month, while showing sales to be 16.59 points behind April 1983. Year-to-date figures place the first four months of 1984's sales 20.97 points behind last year . . . The *ASMMA New Order Index* rose 2.9 points to 116.1 in April, up 2.6% from March . . . According to the American Machine Tool Distributors' Assn., sales of new machine tools by distributors were indexed at 61.1 in April, down from the previous month's 75.4. However, the *Distributors' New Orders Trend* rose for the twelfth month in succession, posting a 2.3% gain from the revised March *Index* to stand at 58.5. April new orders in both the metal cutting and metal forming areas are reported as strong . . . Net new orders for U.S machine tools rose by 27% during May, due principally to a surge in orders for metal-forming type machine tools and helped by modest growth in orders from metal-cutting type machines, reports the National Machine Tool Builders' Assn. This total is 137% above the order rate during May 1983 and is the largest monthly order total since Spring 1981. In the area of machine tool shipments, there was a rise of 30% from April. Compared to May 1983, shipments were up 51% for the month . . . The National Welding Supply Assn.'s *Welding Supply Index* went down to 174.6 for April. However, the April reading gained 22.2% in comparison to April 1983. General welding supplies dropped 16.0% and equipment was down 14.1%.

communications systems and computer centers, Transnet provides a means of direct, near-instantaneous communication between manufacturers and their direct-buying customers, enabling the entry and processing of error-free purchase orders on a round-the-clock basis, according to BSA.

Both high-speed and low-speed service are available through Transnet. Most Transnet customers are equipped with in-house computer systems and are able to use the system on a high-speed basis. However, elaborate EDP hardware and trained technicians are not required to access the Transnet system. For low-speed operations, a modified TWX terminal or touch telephone is all that is required.

Use of the Transnet system for a distributor would be relatively simple. To place an order, for example, a distributor would contact a Transnet data center (there is local-call access to these centers in over 700 U.S. cities), establish identity via a security code and transmit information prepared in a specified format. The Transnet computer then checks the order for superseded or invalid part numbers and unusual quantities, advises the customer of any discrepancies, and then responds with a printed acknowledgement of the order as well as any other pertinent data provided by the manufacturer. The supplier receives an edited, error-free purchase order that can be easily expedited.

Currently there are over 2000 customers accessing Transnet, including about 50 manufacturers, some of whom are BSA members. □

## W.H. Matthews made vice president at Dayco Corp.

DAYTON—William H. Matthews has been appointed to the position of corporate vice president of marketing at Dayco Corp., a Fortune 500 manufacturer of original equipment and replacement parts.

Matthews is now responsible for corporate-wide market planning, sales forecasting, marketing research and the evaluation of new marketing opportunities for the corporation.

The new vice president joined Dayco in 1979 and served as manager of marketing research. In 1983 he was elevated to the position of director of corporate marketing research and planning.

Before joining Dayco, Matthews spent two years teaching marketing and management at Stark Technical College in Canton. From 1971 to 1977 he served with General Tire & Rubber Co. of Akron where he was manager of marketing research and assistant national marketing manager for the company. □

## Pferd chooses Langs as new president

NEWBURY PARK, CA—Frank N. Langs has been named president of Pferd Inc., a manufacturer of industrial cutting tools, abrasive products and chain saw accessories. Langs was most recently vice president of international marketing and finance for Simonds Cutting Tools, a division of Household International Corp.

When talking about Langs' appointment, Jan Ruggeberg, president of August Ruggeberg of Marienheide, Germany, parent company of Pferd, pointed to Langs' extensive background in metalworking and cutting tool industries. "We are looking to strengthen our position in several key markets and to expand our distributor and dealer networks throughout the country. Mr. Langs will provide the direction we need to achieve these major growth objectives," Ruggeberg said.

Prior to the 13 years he spent with Simonds, Langs was with U.S. Steel Corp. for nine years, holding various managerial positions in Chicago and New York. □

## Marketing and selling tools available from NIDA/SIDA

ATLANTA—Available through the NIDA/SIDA sales and marketing committee is the republished *Marketing Simplified: Stocking What You Can Sell*, with updated material that includes information gathered in a recent survey of NIDA/SIDA members and chapter revisions, such as the one covering marketing planning.

*Marketing Simplified* is a comprehensive self-instructional program in the form of a workbook or manual that deals with the subject of marketing in the industrial distribution industry. The purpose of the manual is to explain what marketing is all about and how each company, regardless of size, can

[continued on page 10]

# REGIONAL REPORT

## May sales resume growth

Average sales growth for industrial distributors nationwide rose to 28% in May over last year's figures. This compares to April's gain of 23% and March's gain of 22%, year-to-year (see graph).

The increased growth in sales figures was across the board for most of the regions and areas reporting.

Continuing yearly comparisons, East North Central led the list with a rise of 34%. This compares with a gain of 25% in April. In area reporting, Upstate New York was highest showing a gain of 46%. This compares with 21% in April.

In month-to-month reporting, the figures reversed several negative figures in April. Although the figures here are not as strong as in the other categories, the combined averages are all in the plus column, with the U.S. total up 7%.

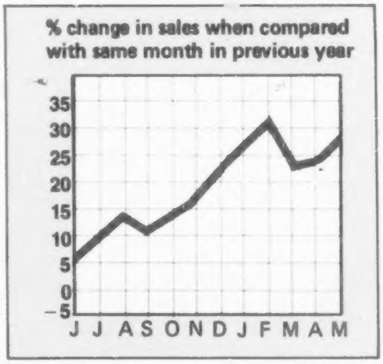
The cumulative or five-month tally for '84, compared to '83, continues strong. The largest sales gain to date was registered by East North Central among the regions, up 34%, Wisconsin in area reporting up 38%.

The smallest regional gain was 19% from the South Atlantic. In area gains, Oregon-Washington was smallest, up 14%.

Receivables have stubbornly retained high figures in spite of the recovery, hovering in the high-thirty, low-forty zone. There is no discernible change or trend in average days outstanding, May '84 compared to May '83 (see table). By way of comparison, most of the pre-recession figures (1981) were in the mid- to upper-thirties. □

| **RECEIVABLES*** | May '84 Gen. | May '84 Spec. | May '83 Gen. | May '83 Spec. |
|---|---|---|---|---|
| **New England** | 39 | 50 | 41 | 49 |
| **Middle Atlantic** | 44 | 43 | 40 | 45 |
| **South Atlantic** | 33 | 37 | 35 | 38 |
| **East North Central** | 36 | 38 | 37 | 39 |
| **East South Central** | 33 | — | 34 | — |
| **West North Central** | — | 39 | — | 35 |
| **West South Central** | — | 42 | — | 44 |
| **Mountain** | — | — | — | — |
| **Pacific** | 42 | 42 | 45 | 41 |
| **National** | 38 | 42 | 39 | 42 |

*Average days outstanding



Sales trend upward in May . . .

| SALES BY REGIONS (% change)* * | May '84 vs April '84 Gen. | May '84 vs April '84 Spec. | May '84 vs April '84 Both | May '84 vs May '83 Gen. | May '84 vs May '83 Spec. | May '84 vs May '83 Both | 1st 5 mos. '84 vs 1st 5 mos. '83 Gen. | 1st 5 mos. '84 vs 1st 5 mos. '83 Spec. | 1st 5 mos. '84 vs 1st 5 mos. '83 Both |
|---|---|---|---|---|---|---|---|---|---|
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | +8 | +7 | +8 | +23 | +27 | +25 | +21 | +26 | +23 |
| Connecticut | — | — | — | — | — | — | — | — | — |
| Massachusetts | +5 | +8 | +7 | +19 | +30 | +27 | +17 | +28 | +25 |
| **MIDDLE ATLANTIC:** NY, NJ, PA | +8 | +12 | +10 | +29 | +32 | +31 | +15 | +25 | +21 |
| New York Metropolitan Area | — | — | — | — | — | — | — | — | — |
| Upstate New York | +18 | +18 | +18 | +50 | +38 | +46 | +21 | +32 | +24 |
| Pennsylvania | −8 | +11 | +3 | +11 | +36 | +26 | +13 | +31 | +23 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, | +11 | +9 | +10 | +36 | +16 | +24 | +21 | +17 | +19 |
| SC, VA, WV | — | — | — | — | — | — | — | — | — |
| Georgia-Florida | +10 | +8 | +8 | +26 | — | — | +10 | +24 | +20 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | +4 | +12 | +8 | +36 | +32 | +34 | +34 | +34 | +34 |
| Indiana | — | +10 | — | — | −10 | — | — | +12 | — |
| Wisconsin | +4 | +17 | +14 | +18 | +42 | +37 | +22 | +43 | +38 |
| Chicago | — | — | — | — | — | — | — | — | — |
| Michigan | — | — | — | — | — | — | — | — | — |
| Ohio | −1 | +4 | +2 | +29 | +25 | +26 | +30 | +24 | +26 |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | +8 | — | — | +32 | — | — | +38 | — | — |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | −3 | +27 | +23 | −9 | +38 | +31 | −1 | +27 | +23 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | −5 | +5 | +4 | +14 | +21 | +21 | — | +19 | — |
| Texas | — | +3 | — | — | +17 | — | — | +19 | — |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | — | — | — | — | — | — | — | — | — |
| **PACIFIC:** CA, OR, WA | −9 | +17 | +2 | +22 | +23 | [illegible] | +21 | +23 | +21 |
| L.A.-San Diego | — | — | — | — | — | — | — | — | — |
| Oregon-Washington | +3 | +7 | +5 | +17 | +22 | +20 | +13 | +15 | +14 |
| **U.S. TOTALS** | +2 | +12 | +7 | +29 | +27 | +28 | +24 | +25 | +25 |

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HT11-HT13.

# Industrial Distribution

September 1984

Hotline:
Deflation/disinflation:
experts recommend
lean inventories

9641SS
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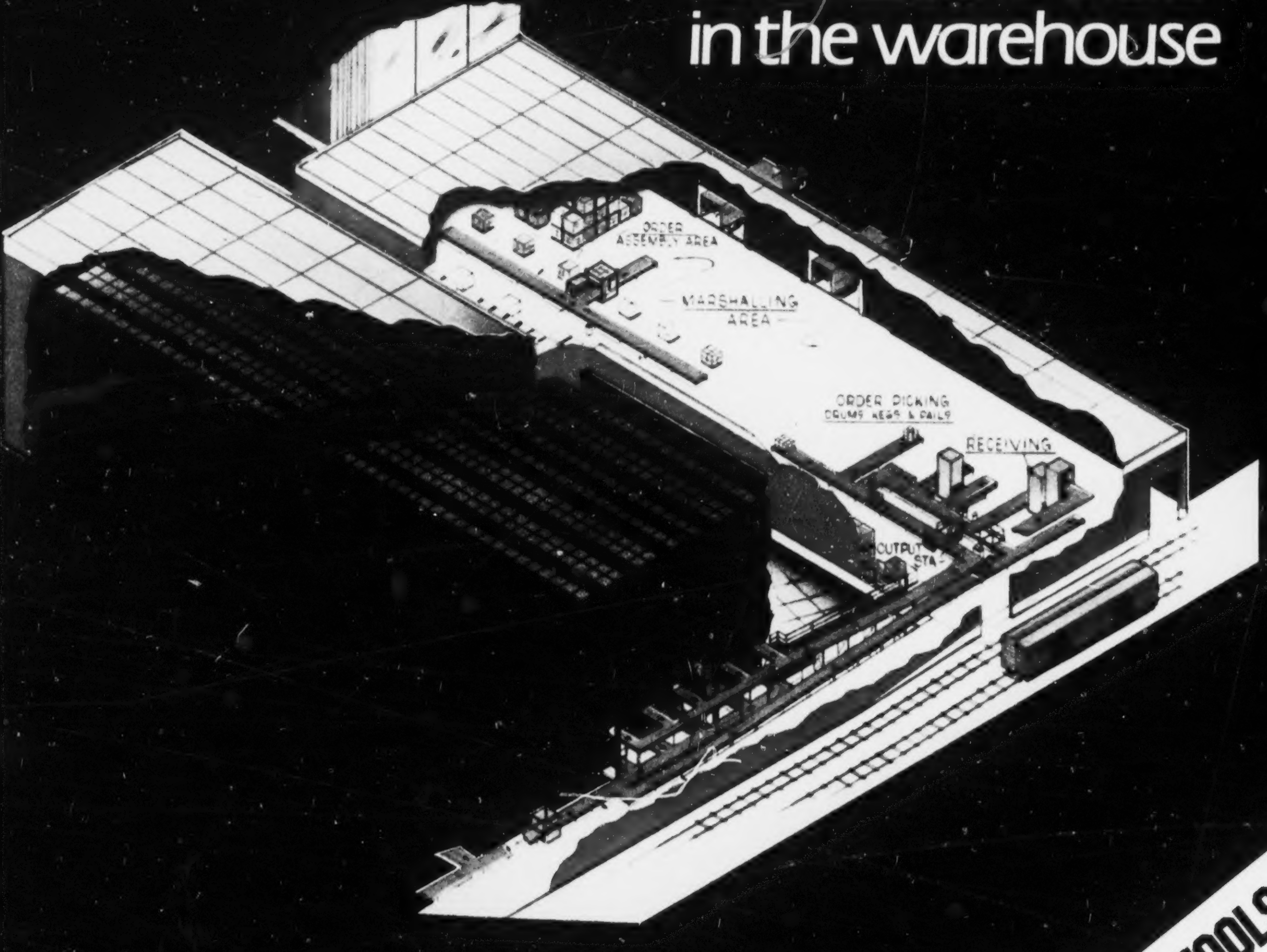
***
**S
ON
300
20814

C84-06

# LOGISTICS
in the warehouse


ORDER
ASSEMBLY AREA
MARSHALLING
AREA
ORDER PICKING
DRUMS KEGS & PAILS
RECEIVING
OUTPUT
STA

MECHANIC'S HAND TOOLS
SHOWCASE
(PULL-OUT SECTION)

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While outwardly, it is still recognizable as the warehouse of the past, the new warehouse is a highly homogenized complex of logistical methods, EDP and simple logic.

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# INDUSTRY NEWS...

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president and general manager of Mac Tools in March 1981 and group vice president, Hand Tools in November 1982.

At the same time, Davis announced that group vice president Richard F. Krug will succeed Ayers in responsibility for the Hand Tools Div. and will also have Hand Tools/Hardware, Germany.

Other group vice president realignments include Edward M. Butler adding Hardware, USA and Hardware, Canada to his supervision of the company's industrial divisions. David M. Hadlow will continue to be responsible for the Builders divisions while adding Drapery Hardware, Europe, Automatic Openers, USA, Automatic Openers, Canada and Multi-Elmac. ☐

## Hickey named *ID* New England sales manager

New York—William P. Hickey has been appointed New England regional sales manager for ***ID.*** A 12-year veteran of distributor and industrial publication advertising sales in the New England area, Hickey is a graduate of Boston University with a degree in mass communications. He resides with his wife, Mary, and their two children in Cheshire, CT. ☐

**Hickey**

## Lovejoy names Michael W. Hennessy new CEO

Downers Grove, IL—Following the sudden death of C. Patrick Hennessy, president of Lovejoy Inc. for the past 20 years, the board of directors of the privately held 84-year old Illinois manufacturer of power transmission equipment, appointed Michael W. Hennessy as CEO of Lovejoy. He will continue to serve as president of Lovejoy Electronics, Inc., a position he has held since 1979.

At the same time, Lovejoy's board announced the appointment of John R. Wilkinson as president of Lovejoy. Mr. Wilkinson, the company's executive vice president since 1981, joined the firm in 1976 as director of marketing. He was named vice president in 1979. ☐

## Cost of industrial sales call tops $200

New York—According to the Laboratory of Advertising Performance/McGraw-Hill Research, which has been following the cost of an industrial sales call on a biennial basis since 1942, there is both bad news and good news about 1983.

The bad news is that last year, the cost of a

**50% more reach**

**than any other 3-ton portable ratchet-lever hoist!**

(ANOTHER LUG-ALL EXCLUSIVE)

This winch-hoist stores 15 foot of cable right on the drum for 50% more reach (7½ ft) than comparable chain hoists. Another LUG-ALL exclusive, the telescopic handle, with shear pin warning . . . adds extra safety and convenience. Also available in corrosion-resistant marine grade.

OTHER
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**Model 6000-15-SH**

CORPORATION

L-148

**Write in No. 11**

# INDUSTRY NEWS...

## Indicators . . .

Industry economic indicators were mixed this month as the *NIDA-SIDA Industrial Distribution Index* declined slightly in June to 133.1, a fall of 1.3% from May. On the other hand, the June figure represents the second best month for the index out of the last 26. Regionally, only the south registered a gain over May with the west the biggest loser, posting a 5.3% decline . . . *the SIDA Monthly Sales Trend Report* for May provided additional southern gains climbing 6.53 over April, an impressive 19.60 increase over May 1983. The big winner was SIDA area 2 comprising FL, GA, SC and Puerto Rico which showed a 13.06 gain over May. The only loss was in area 3 which includes AL, KY, MS and TN which registered a 3.36 decline. Year-to-date '84 compared with year-to-date '83 indicates a strong 18.97 improvement . . . the *ASMMA New Order Index* also registered a gain of 6.6 in May over April reaching 122.7, the highest level since September 1981 when the Index stood at 125.0 . . . According to the Associated Equipment Distributors, its *Market Trends Index* reported 28% higher gross dollar volume in the first quarter of '84 vs '83. The organization which represents distributors in the construction equipment industry reports that March gross sales were up 26% over March '83 and 21% better than February of this year . . . The National Tooling & Machining Assn. *Business Forecast Report* says several lagging industries: construction, oil field and farm equipment, commercial, private and business aviation continue to suffer their own "sales drought" . . . the National Wholesale Hardware Assn. says that retail hardware sales reached the "sizzling" point in May with average daily sales 5.6% higher than April and 8.7% higher than May 1983. NWHA's *Hardware Sales Index* jumped to 115.1 for May, the second highest reading in 1984 and a full 9.2 points higher than May '83. Broken down by region, results were uneven with four areas: the West, Southwest, East Central and Southeast showing declines from April while the Plains States, Great Lakes and Northeast showed gains.

sales call—defined by McGraw-Hill as including salaries, commissions, bonuses, travel and entertainment expenses—rose to $205.40, the highest level since the survey was started and a 2177% increase over the fabled figure of $9.02 when the study started 41 years ago.

The good news is that the rate of increase from 1981 to 1983 was 15.4%, the lowest percentage increase in the last decade.

The survey also found that costs were highest when the companies sold directly to industry as opposed to going through distributors. In fact the cost of an average sales call dropped from $233.70 when made directly to industry to $188.20 when made to distributors, agents or dealers.

The study found a positive correlation between the size of a company's sales force and the cost per sale. Significantly, companies with a sales force under 10 persons had a cost per call nearly twice that of companies with a sales force numbering more than 100. McGraw-Hill does not attempt to explain these statistical phenomena. ☐

| | 1981 | | 1983 | |
|---|---|---|---|---|
| **Selling Method** | **No. of Companies** | **Cost of Sales Call (Average)** | **No. of Companies** | **Cost of Sales Call (Average)** |
| Directly to Industry | 152 | $225.20 | 195 | $233.70 |
| Through Distributors, Agents or Dealers | 131 | $138.80 | 183 | $188.20 |
| Both | 319 | $172.00 | 435 | $200.00 |
| Method of Distribution Not Reported | 3 | $142.30 | — | — |

**Source: Laboratory of Advertising Performance/McGraw-Hill Research**

## Lamson & Sessions announces new CEO, second quarter gain

CLEVELAND, OH—The Lamson & Sessions Co., following its annual and special shareholders meeting on June 28, announced a debt restructuring and recapitalization program and the appointment of Russell Every to the post of CEO of the company.

Shareholders of the 100-year old manufacturer of industrial and foundry products, aircraft and truck components and freight car equipment, approved the company's plan to issue $12 million of new convertible preferred stock to its insurance and bank lenders in exchange for a like amount of interim, restructured debt. The new stock carries a 5% cumulative dividend beginning in 1986 payable in cash or the company's

[continued on page 16]

**Correction:**

## 38th Annual Survey of Distributor Operations

NEW YORK—The final manual triple check made on this computer-generated survey, this year failed to catch misplacement of a decimal point in the net profit categories. The figures are correct when the decimal point is moved one digit to the left. The corrected figures appear below.

| | **National** | | **Northeast** | |
|---|---|---|---|---|
| | '83 | '82 | '83 | '82 |
| Net profit before tax (% of total sales) | 2.2% | 2.0% | 2.2% | 2.0% |
| Net profit after tax (% of total sales) | 1.6% | 1.65% | 1.65% | 1.1% |
| | **South Atlantic** | | **North Central** | |
| | '83 | '82 | '83 | '82 |
| Net profit before tax (% of total sales) | 2.5% | 2.0% | 2.0% | 2.0% |
| Net profit after tax (% of total sales) | 1.8% | 1.65% | 1.2% | 1.0% |
| | **South Central** | | **West** | |
| | '83 | '82 | '83 | '82 |
| Net profit before tax (% of total sales) | 2.8% | 3.5% | 2.6% | 1.5% |
| Net profit after tax (% of total sales) | 2.45% | 2.35% | 1.8% | 1.1% |

# REGIONAL REPORT

## Sales slacken in June

After advancing to a near-record recovery high in May, sales backed off in June, showing a gain of 20% compared to June '83, and down eight percentage points from the 28% rise recorded in yearly May comparisons.

Other national figures reveal continued strong gains for New England, Middle Atlantic, East North Central and Pacific regions. The South Atlantic was weak, gaining only 8% in June compared to May's rise of 24%. The West North Central was in the minus column, down 5%.

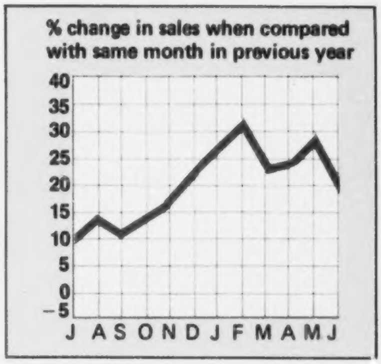
Month-to-month figures for those regions reporting are mostly lower compared to May, with the majority showing minuses. West North Central indicates a 15% drop for June sales, compared to May's, with New England, South Atlantic, East North Central and Pacific all negative.

In cumulative reporting, the first six months of '84 compared to '83 indicate all double digit gains for regions and areas with the exception of Georgia-Florida, up 9%. However, the 24% gain nationally is flat compared with the 25% gain recorded in May. This tends to confirm what the other figures indicate, that June was a relatively soft business month for industrial distributors compared to the strong recent gains registered by the industry.

Receivables continue in the low-forties for most of the country, with the South Atlantic showing the best figures, in the mid-thirty area. On average, New England and the Middle Atlantic are highest, in the mid-forties. ☐

| **RECEIVABLES*** | June '84 | | June '83 | |
|---|---|---|---|---|
| | Gen. | Spec. | Gen. | Spec. |
| **New England** | 38 | 53 | 39 | 51 |
| **Middle Atlantic** | 47 | 45 | 43 | 46 |
| **South Atlantic** | 34 | 34 | 34 | 34 |
| **East North Central** | 39 | 47 | 37 | 45 |
| **East South Central** | — | — | — | — |
| **West North Central** | — | 38 | — | 39 |
| **West South Central** | — | 38 | — | 44 |
| **Mountain** | — | — | — | — |
| **Pacific** | 47 | 42 | 47 | 40 |
| **National** | 41 | 42 | 40 | 43 |

*Average days outstanding



Sales gains pared in June . . .

| **SALES BY REGIONS (% change)** | June '84 vs May '84 | | | June '84 vs June '83 | | | 1st 6 mos. '84 vs 1st 6 mos. '83 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gen. | Spec. | Both | Gen. | Spec. | Both | Gen. | Spec. | Both |
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | −5 | +4 | −1 | +15 | +17 | +16 | +17 | +17 | +17 |
| Connecticut | — | — | — | — | — | — | — | — | — |
| Massachusetts | −6 | — | — | +13 | — | — | +16 | — | — |
| **MIDDLE ATLANTIC:** NY, NJ, PA | −1 | 0 | 0 | +10 | +30 | +21 | +15 | +30 | +23 |
| New York Metropolitan Area | — | — | — | — | — | — | — | — | — |
| Upstate New York | +5 | −9 | −3 | +23 | +12 | +17 | +21 | +33 | +27 |
| Pennsylvania | +12 | −2 | +3 | +7 | +25 | +17 | +15 | +28 | +23 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, | −9 | −7 | −8 | +11 | +5 | +8 | +23 | +7 | +15 |
| SC, VA, WV | — | — | — | — | — | — | — | — | — |
| Georgia-Florida | +15 | −3 | 0 | +21 | +12 | +13 | +25 | +5 | +9 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | −7 | +1 | −3 | +22 | +36 | +29 | +30 | +35 | +32 |
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| Wisconsin | −10 | −5 | −6 | +5 | +37 | +29 | — | — | — |
| Chicago | — | — | — | — | — | — | — | — | — |
| Michigan | −17 | +7 | −8 | +11 | — | — | +24 | — | — |
| Ohio | −2 | +6 | +2 | +28 | +33 | +30 | +29 | +27 | +28 |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | — | — | — | — | — | — | — | — | — |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | +1 | −17 | −15 | −24 | −2 | −5 | −5 | +21 | +17 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | — | — | — | — | — | — | — | — | — |
| Texas | — | — | — | — | — | — | — | — | — |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | — | — | — | — | — | — | — | — | — |
| **PACIFIC:** CA, OR, WA | −6 | +1 | −4 | +20 | +24 | +22 | +22 | +30 | +24 |
| L.A.-San Diego | — | — | — | — | — | — | — | — | — |
| Oregon-Washington | −3 | +1 | 0 | +16 | +20 | +18 | +20 | +16 | +17 |
| **U.S. TOTALS** | −6 | −2 | −4 | +17 | +23 | +20 | +23 | +26 | +24 |

# THE MARKET: PROFIT AND POTENTIAL

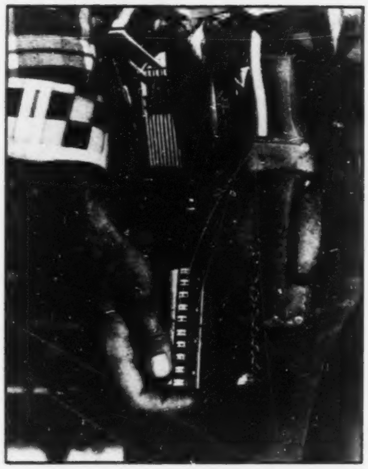
Talks with manufacturers indicate that many distributors and major buyers of hand tools regard them as commodities, putting them in a class with fasteners, drills and any number of other mass-produced, low-cost-per-unit, distributor-sold items. A closer look at industrial-grade hand tools, some of which sell for $40 or $50 or more or as low as a few dollars proves that while they may be labeled commodities by some, they are hardly conventional types. The only thing they may have in common with real commodities such as fasteners is that so many are used for so many functions across so many markets.

The market for quality hand tools is about as broad as the choice of products being produced for today's changing market needs. Distributors report rising hand tool sales ranging from single impulse purchases off of a pegboard display to single shipments totalling thousands of dollars.

Reporting on sale of hand tools in the three most common "quality" categories—consumer, automotive and industrial—Hand Tools Institute representing some six dozen major U.S. producers shows total sales of tools by domestic manufacturers from 1978 through 1982 averaging $1.2 billion annually. Imports, a fast-growing factor in the U.S. market, increased 42% from 1978 to 1981, peaking to just over $419 million in 1981, declining 4% the following year to just under $404 million.

In 1978, prior to the recent recession, ***ID*** reported: "With hand tools going anywhere from $1 to $10 (the prices have changed since then), and considering their popularity, the U.S. market has already topped $2 billion (imports included) and real annual growth, over and above inflation, is a healthy 3%-5% annually."

Onset of the recession didn't affect domestic producers' sales of hand tools until 1982. Sales between 1978 and 1981 continued to increase, then hit by a serious decline in demand, dropped 11% and in 1982, producers' net profits plummeted 19%.



**Potential.** The industrial grade of hand tools, in effect, the top of the line, is a non-stop best seller because no matter what the state of the economy and as long as machines and other physical assets are being maintained, as long as some production exists, as long as machinery somewhere is in action, mechanics' tools have to be very much in evidence. The fact is, even during a deep recession, tool sales remained relatively high compared to declines in sales of power tools and other common distributor-sold products, one reason some manufacturers dub them the most recession-proof item in the distributor's inventory.

An educated guess would put the total number of *standard* types and sizes of professional hand tools at around 5000. There is literally a hand tool for every common type of job as well as special jobs such as those performed by electricians, linemen, sheet metal and aviation mechanics. Typically, one manufacturer's catalog lists 40 different side-cutting pliers; another's catalog lists some 250 different screwdrivers, including bits and sets. Still another tool manufacturer's catalog offers 120 open end wrenches in a variety of sizes and finishes. Add also the fact that hand tool manufacturers are fully prepared to design and manufacture specials.

What this all proves, of course, is that a line of quality hand tools designed specifically for the mechanic on the job can be the distributor's king of door-openers and repeat sales producers. True, not all plants or other installations buy hand tools in quantities large enough to rocket year-end sales figures into the stratosphere, but in terms of consistent turnover, nothing in a distributor's inventory has the potential of his professional hand tool line. And because no mechanic anywhere on the job is not without a sizable complement of quality tools on hand, every distributor, including those who specialize, needs to maintain a rounded-out inventory of hand tools related to other products he stocks and sells.

**Large orders.** Probably the one advantage hand tools have in being labeled commodities is that despite their cost-per-unit compared to, say, a single fastener, they are often sold in quantities to a single customer. Not long ago, several distributors shared a tool order topping $250,000 when a call was put out to the manufacturer that an emergency had occurred offshore and the tools were needed immediately.

Such cases are not rare. Other manufacturers report large quantity one-shot sales by their distributors. In one case, the distributor had to deliver a large order to managers who had taken over operations during a strike. In another case, flood damage repairs generated a large order for pipe and other types of tools.

Other large one-shot tool orders are from more conventional sources: a plant modernization, revamping of an assembly line, a construction project, a new plant, retooling, rehiring, a new timesaving tool, expansion of a servicing department or organization, a special tool deal. And in most cases, whether the tool manufacturer or the distributor gets the original lead, these sales are finalized by the distributor. Except in a few rare cases, manufacturers of quality, industrial-grade hand tools, sell their product only through their distributors.

Any large installation that includes a building, equipment, assembly, an outside service operation or produces a reasonably complex product (computer hardware, appliances, autos, etc.), is a prospect for large orders. Some require bids but most opt for sources that provide what one manufacturer calls his "profit package." It includes a complete job-matched line of hand tools, the inventory, service which might include some technical support, and price. Surprisingly, price may not even enter the picture since reliability of the

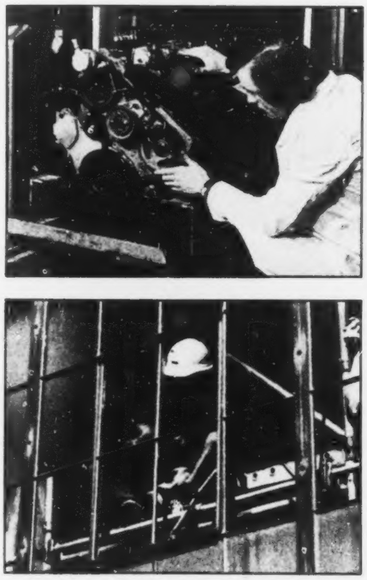
# THE MARKET: PROFIT AND POTENTIAL...

tool source and the tool itself is regarded as the final test. One buyer of capital equipment with a multi-million dollar annual budget was cited as "throwing" all of his hand tool business to a local distributor "just to get it off my hands."

Big orders are common enough. An East Coast utility spends between $1.5 million and $2 million annually on hand and power tools with the bulk of the purchases on the former. One computer hardware manufacturer consistently spends well over $750,000 a year on hand tools, many of them small tools used in assembly. Several manufacturers told ***ID*** that, today, among the largest users of hand tools are the high-tech companies. One cited the companies in California's Silicon Valley and the high-tech producers spaced along Rte 128, the "electronic belt" circling Boston. Cited also were companies such as Otis Elevator, IBM, Digital Equipment, telecommunications companies, utilities and others that employ large indoor maintenance staffs and equally large outdoor service and installation crews. One service van alone can hold several thousand dollars worth of tools. "They're all million-dollar-plus hand tool buyers," the manufacturer told ***ID***.

**Other orders.** Should small orders be ignored? It's very possible that total hand tool sales through distributors in the U.S. are dominated mainly by sales of a dozen tools or less. Many are bought on impulse as a result of direct mail, a tool seen in the distributor's catalog, a tool bought off the pegboard display in the counter and pickup area, or for replacement. A trip through the plant by a distributor's salesman may sell one tool here, two or three tools there, all to individuals. If every other order from customers included one, two or several hand tools, the profit would be significant by the end of the year.

Why sell hand tools? Briefly, because (1) they're consistently best sellers, (2) they complement and round out even the most specialized inventories, (3) they are proved door openers to PA's and to repeat orders, (4) with a quality line, they establish an image of credibility and reliability for the distributor and the manufacturer. The trick of course is for the distributor to recognize their potential, commit to a market-matched inventory, learn to merchandise them properly, and use them to "pry" open doors to the buying influences and to larger orders.



**Indoors or outdoors, no blue-collar operation is without a set of hand tools.**

**High-tech.** The exploding high-tech market is one distributors of hand tools need to watch very closely because it represents unlimited profit potential for the distributor. Miniaturization combined with extremely high standards of accuracy are generating demands for new types of fasteners, production machinery and, of course, workholders and hand tools.

Some distributors are already deeply involved in the new market. Some are reported to be making small fortunes on customized sets and kits of hand tools and workholders for delicate, miniaturized high-tech components. Others are helping design and are supplying special hand tools for high-tech assembly.

High-tech profit potential for the distributor goes further than electronic assembly. Advances in the industrial sciences are churning out new families of products requiring new families of tools. One manufacturer responded recently to development of an ultra-thin-walled pipe by designing a new type of cutting and forming tool. Other new materials and product designs will also require special tools.

"Don't expect a revolution in the kinds of hand tools the distributor will have to carry," a manufacturer told ***ID***. "I'd say that most of the tools we'll ever need are already on the market. What you'll probably see are subtle changes in tool design. But these changes are important because they can make the difference between your cutting a niche in a high-tech market or being left out altogether. ☐

**THE USES:**

- installations
- equipment maintenance
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- equipment adjustments
- assembly
- production
- machine setup
- tool & diemaking
- outdoor services
- authorized repairs
- field services
- general shopwork
- construction
- municipal services

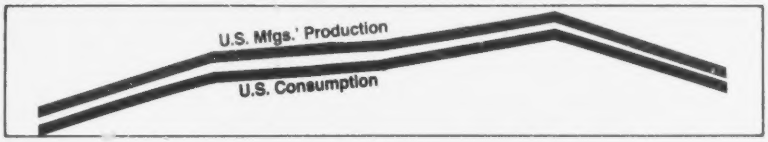
**'BIG' HAND TOOL USERS**

- high-tech assemblers
- high-volume plants
- utilities
- mines/oil rigs
- constructors
- processing plants
- building services
- local/Federal agencies
- equipment builders

## National Consumption of Hand Tools by Industry

| SIC | Description | No. of plants | Estimated use (million $) | Total employment | Consumption per employee ($) |
|---|---|---|---|---|---|
| 1541 | Ind'l bldgs and whses | 1612 | 18.1 | 178,554 | 101.58 |
| 1542 | Non residential const | 2006 | 16.0 | 215,763 | 74.01 |
| 1611 | Hwys and street const | 1992 | 17.6 | 189,927 | 92.49 |
| 1622 | Bridge, tunnel, elev hwy const | 413 | 7.8 | 58,060 | 134.19 |
| 1623 | Water, sewer, util lines | 1172 | 10.5 | 88,080 | 119.00 |
| 1629 | Heavy const | 1326 | 31.2 | 284,127 | 109.82 |
| 1711 | Plmbg, htng, air cond | 2807 | 21.3 | 148,674 | 143.34 |
| 1731 | Electrical work | 2130 | 14.4 | 114,553 | 125.39 |
| 2211 | Weaving mills, cotton | 386 | 11.2 | 153,775 | 73.02 |
| 2421 | Sawmills, planing mills | 1958 | 9.3 | 153,229 | 60.82 |
| 2431 | Millwork | 1216 | 7.5 | 84,500 | 88.18 |
| 2511 | Wood household furn | 897 | 17.5 | 124,134 | 140.63 |
| 2512 | Upholstered h'hold furn | 828 | 9.1 | 87,716 | 103.85 |
| 2621 | Paper mills (ex bldg paper) | 343 | 14.6 | 138,946 | 104.94 |
| 2631 | Paperboard mills | 203 | 7.0 | 61,411 | 112.88 |
| 2819 | Ind'l, inorganic chem | 599 | 6.7 | 98,503 | 67.74 |
| 2811 | Plastics, mater, resins | 484 | 6.1 | 89,330 | 68.15 |
| 2869 | Ind'l organic chem | 526 | 8.0 | 110,692 | 72.59 |
| 2911 | Petroleum refining | 356 | 6.9 | 93,576 | 73.41 |
| 3312 | Blast furn, steel mills | 357 | 10.7 | 344,757 | 31.08 |
| 3622 | Industrial controls | 487 | 8.0 | 76,430 | 105.13 |
| 3731 | Shipbldg and repair | 355 | 11.1 | 153,602 | 72.14 |

**Source:** Excerpted from *NIDA/SIDA Sales Potential System*
(Based on companies with 20 or more employees)

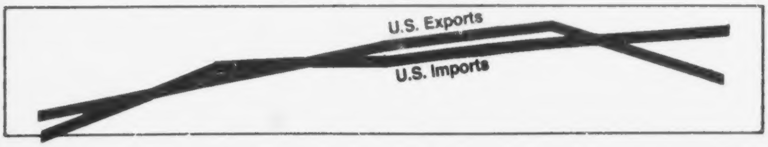


## Estimated U.S. consumption of nonpowered hand tools (1978-1982)

(in millions of $)

| | U.S. manufacturers' domestic production | U.S. exports | U.S. imports | Apparent U.S. consumption |
|---|---|---|---|---|
| 1978 | 2756 | 313 | 296 | 2739 |
| 1979 | 3213 | 349 | 353 | 3218 |
| 1980 | 3275 | 406 | 367 | 3236 |
| 1981 | 3511 | 436 | 419 | 3494 |
| 1982 | 3024 | 345 | 404 | 3084 |

**Source:** U.S. Dept. of Commerce and Business Trend Analysts



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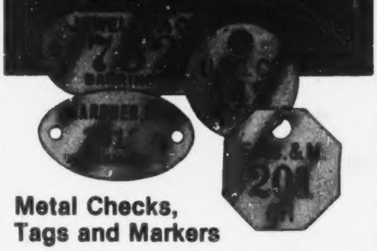

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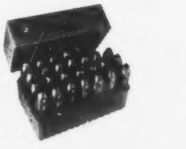

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# Industrial Distribution

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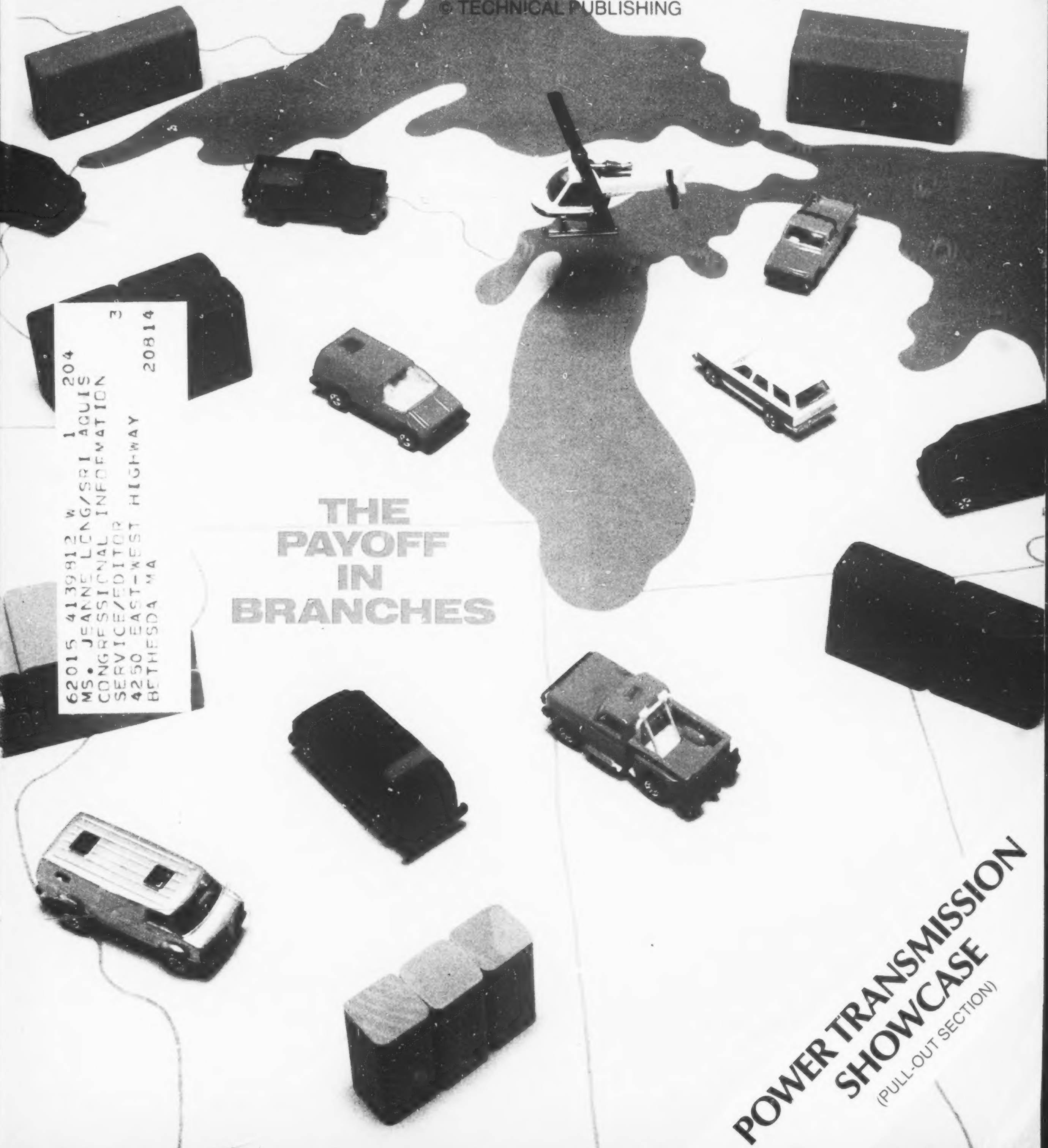
October 1984

**Hotline:
Reagan-Bush vs.
Mondale-Ferraro
It's no contest
say distributors**



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# INDUSTRY NEWS...

several years.

The steering committee feels that the timing is right for an affiliation of hose distributors. "The broad area of concerns that distributors have on their agenda can best be addressed through a trade group," Murphy said.

Among the advantages described by the pioneer group to members of the industry are the sharing of methodology, new group insurance programs, technical and standards committee action, training techniques, shop procedures and other common interests and concerns.

Additional information about the new association may be obtained from National Assn. Hose & Accessories Distributors, c/o Ralph Cox, vice president, The Premier Co., P.O. Box 1333, Houston, TX 77001. ☐

## Donald H. Hyland retires from Harrington Hoists

MANHEIM, PA—Donald D. Hyland, CEO and president of Harrington Hoists, Inc., a manufacturer and marketer of chain hoists and overhead crane systems headquartered here, has retired after serving with the Arbee Corp., Harrington's parent company, since 1967.

Hyland was succeeded by Perry M. Saunders who joined Harrington last year as vice president of operations. At the same time, Frederick W. Tugend was named vice president. He will continue to serve as general sales manager, a position he assumed when he joined Harrington in 1981. ☐

## ASMMA survey gives distributor sales demographics

CLEVELAND—American Supply & Machinery Manufacturers' Assn's. 32nd edition of *Sales Through Industrial Distributors* has been published. Based on 1983 sales data, the survey reports sales by state, county, metropolitan area and Canadian province.

Copies are available to non-members for $100 and may be obtained by writing ASMMA, 1230 Keith Building, Cleveland, OH 44115.

The following is a listing of the top 25 major metropolitan trading areas as reported in the ASMMA survey:

### Listing of top 25 major metropolitan trading areas by rank

| | | Percent of U.S. | | |
|---|---|---|---|---|
| | | 1983 | 1982 | 1981 |
| 1. | **Los Angeles—Long Beach—Anaheim Consolidated Area** | 5.21 | 5.47 | 5.31 |
| 2. | **New York—Newark—Jersey City—Bridgeport Consolidated Area** | 4.83 | 4.96 | 4.42 |
| 3. | **Chicago—Gary Consolidated Area** | 4.74 | 4.81 | 4.56 |
| 4. | **Detroit—Ann Arbor Consolidated Area** | 3.04 | 2.59 | 2.61 |
| 5. | **Houston—Galveston Consolidated Area** | 2.64 | 3.90 | 4.86 |
| 6. | **Dallas—Fort Worth, Texas** | 2.59 | 2.98 | 2.78 |
| 7. | **Philadelphia—Wilmington—Trenton Consolidated Area** | 2.45 | 2.51 | 2.22 |
| 8. | **Cleveland—Akron—Lorain Consolidated Area** | 2.32 | 2.25 | 2.33 |
| 9. | **San Francisco—Oakland—San Jose Consolidated Area** | 2.26 | 2.18 | 1.95 |
| 10. | **Atlanta, Georgia** | 1.77 | 1.44 | 1.40 |
| 11. | **Boston—Lowell—Brockton—Lawrence—Haverhill, Massachusetts** | 1.68 | 1.53 | 1.42 |
| 12. | **Pittsburgh, Pennsylvania** | 1.53 | 1.69 | 1.86 |
| 13. | **Minneapolis—St. Paul, Minnesota** | 1.46 | 1.42 | 1.39 |
| 14. | **St. Louis, Missouri** | 1.40 | 1.49 | 1.58 |
| 15. | **Milwaukee—Racine Consolidated Area** | 1.31 | 1.21 | 1.40 |
| 16. | **Seattle—Tacoma Consolidated Area** | 1.21 | 1.28 | 1.46 |
| 17. | **Birmingham, Alabama** | 1.10 | 1.15 | 1.16 |
| 18. | **Kansas City, Missouri** | 1.03 | 1.04 | 1.05 |
| 19. | **Denver—Boulder, Colorado** | 1.01 | 1.09 | 1.12 |
| 20. | **Indianapolis, Indiana** | .97 | .76 | .87 |
| 21. | **Cincinnati—Hamilton Consolidated Area** | .96 | .94 | .97 |
| 22. | **Charlotte—Gastonia, North Carolina** | .94 | .75 | .77 |
| 23. | **Portland, Oregon** | .90 | .87 | .86 |
| 24. | **New Orleans, Louisiana** | .87 | 1.11 | 1.19 |
| 25. | **Baltimore, Maryland** | .79 | .79 | .74 |

## Indicators . . .

Two of the three key indicators showed an increase this month as the economy demonstrates continuing vigor. The *NIDA-SIDA Industrial Distribution Index* continued its upward trend which began in January of 1983, hitting 134.1 in July, a full point above June. Reversing a May/June drop, the Index stands at its second highest level in 27 months. Regionally, a loss of 1.5 in the midwest was more than compensated for by an 8.6 increase in the west . . . The *SIDA Monthly Sales Trend Report* for June increased 1.72 over May for an 11.99 improvement over June '83. Broken down by geographic area, AL, KY, MS, TN, AR, LA, OK, and TX which comprise SIDA areas three and four showed drops from May while the remainder gained . . . The major disappointment in this month's economic news is the *ASMMA New Order Index* which declined 3.6 points to 119.1 in June for a 2.9% loss. Excluding 1984 figures, however, the last time the index exceeded its current figure was October of 1981 . . . Reflecting further optimism about the future, the American Machine Tool Distributors' Assn. *Distributor New Order Index* rose to its highest level in 30 months reaching 75.5 for June, a 14% increase over May. The *Distributors' New Orders Trend* climbed in June to an index figure of 63.0, a 41% improvement over June '83 . . . the National Wholesale Hardware Association's *Hardware Sales Index* rose to 114.8 in July, a 2.7 increase over the June figures. Regionally, the northeast and east central states registered declines in July while the remainder increased . . . According to the National Welding Supply Association, its *Welding Supply Index* showed a drop of 11 points in June to 170.6 from the May all-time record of 181.6. Despite this drop, the Index stands 18.4 points higher than June '83 and up 20.5% from the beginning of the year . . . The National Association of Aluminum Distributors says its *Quick Pulse Index* of aluminum distributor shipments showed a drop of 7.4% in June to 126.8 from a level of 136.9 in May, representing the third decline in six months. At the same time, inventories increased by an almost imperceptible 0.1 in June to 124.3 . . .

# REGIONAL REPORT

## Sales gains increase in July

After a soft June, another uptrend was recorded in July's year-to-year comparisons.

A gain of 29%, or only a few percentage points below the February record high, includes healthy gains in every region and area reporting. Upstate New York heads the list with a gain of 38% followed by New England, up 37%, and West South Central, up 32%. The smallest gain was 14% from the Oregon-Washington area.

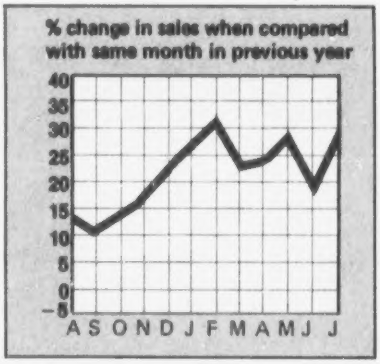
In cumulative reporting, the first seven months of 1984 compare very favorably with the 1983 figures. The East North Central region shows the strongest recovery figures, up 37%, with Wisconsin and Ohio registering sharp gains of 38% and 27%, respectively. The weakest area was Oregon-Washington, which still reported a good gain of 16%.

Month-to-month reporting continues to be weak, with only one region and one area showing gains. West North Central was up 2% in regional reporting, and the Upstate New York area gained 1%. The Pacific region was down 9% in July, while the Pennsylvania area declined 18%. Although these figures indicate monthly drops in sales, their yearly comparative figures are still strong and show little, if any, correlation of a softening trend. However, if monthly comparisons continue to be negative, yearly comparisons should begin to flatten as you cannot have both prolonged monthly sales drops and continued yearly sales increases.

Receivables continue to hold steady nationally in the low-forties area. ☐

| **RECEIVABLES*** | July '84 | | July '83 | |
|---|---|---|---|---|
| | Gen. | Spec. | Gen. | Spec. |
| **New England** | 40 | 46 | 47 | 44 |
| **Middle Atlantic** | 48 | 44 | 46 | 44 |
| **South Atlantic** | 35 | 35 | 37 | 37 |
| **East North Central** | 40 | 40 | 40 | 44 |
| **East South Central** | — | 41 | — | 35 |
| **West North Central** | — | 39 | — | 40 |
| **West South Central** | — | 42 | — | 43 |
| **Mountain** | — | — | — | — |
| **Pacific** | 43 | 40 | 45 | 41 |
| **National** | 41 | 41 | 43 | 41 |

*Average days outstanding



**% change in sales when compared with same month in previous year**

**July sales near new high . . .**

| **SALES BY REGIONS (% change)** | July '84 vs June '84 | | | July '84 vs July '83 | | | 1st 7 mos. '84 vs 1st 7 mos. '83 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gen. | Spec. | Both | Gen. | Spec. | Both | Gen. | Spec. | Both |
| **NEW ENGLAND:** CT, RI, MA, NH, VT, ME | −5 | −11 | −6 | +42 | +18 | +37 | +24 | +13 | +22 |
| Connecticut | — | — | — | — | — | — | — | — | — |
| Massachusetts | −9 | — | — | +38 | — | — | +21 | — | — |
| **MIDDLE ATLANTIC:** NY, NJ, PA | −4 | −10 | −8 | +29 | +29 | +29 | +18 | +26 | +23 |
| New York Metropolitan Area | — | — | — | — | — | — | — | — | — |
| Upstate New York | −2 | +6 | +1 | +34 | +45 | +38 | +23 | +27 | +25 |
| Pennsylvania | −21 | −14 | −18 | +12 | +35 | +19 | +22 | +25 | +23 |
| **SOUTH ATLANTIC:** DE, DC, MD, FL, GA, NC, | −6 | −2 | −5 | +32 | +24 | +28 | +27 | +16 | +23 |
| SC, VA, WV | — | — | — | — | — | — | — | — | — |
| Georgia-Florida | −16 | −3 | −9 | +23 | +30 | +27 | +30 | +23 | +26 |
| **EAST NORTH CENTRAL:** OH, IN, IL, MI, WI | −5 | −12 | −8 | +32 | +38 | +34 | +32 | +45 | +37 |
| Indiana | — | — | — | — | — | — | — | — | — |
| Wisconsin | −9 | −14 | −12 | +15 | +30 | +25 | +18 | +50 | +38 |
| Chicago | — | — | — | — | — | — | — | — | — |
| Michigan | 0 | −25 | −16 | +24 | — | — | +29 | — | — |
| Ohio | −11 | −11 | −11 | +26 | −8 | +23 | +26 | +32 | +27 |
| **EAST SOUTH CENTRAL:** AL, MS, KY, TN | — | +4 | — | — | +28 | — | — | +28 | — |
| **WEST NORTH CENTRAL:** MN, ND, SD, IA, NE, KS, MO | −5 | +3 | +2 | −6 | +24 | +19 | −5 | +24 | +19 |
| **WEST SOUTH CENTRAL:** AK, LA, OK, TX | −10 | −5 | −7 | +38 | +28 | +32 | — | +20 | — |
| Texas | — | — | — | — | — | — | — | — | — |
| **MOUNTAIN:** NM, AZ, CO, UT, NV, WY, MT, ID | — | — | — | — | — | — | — | — | — |
| **PACIFIC:** CA, OR, WA | −3 | −17 | −9 | +28 | +9 | +23 | +20 | +20 | +20 |
| L.A.-San Diego | −2 | — | — | +3 | — | — | +4 | — | — |
| Oregon-Washington | −2 | −21 | −11 | +29 | 0 | +14 | +19 | +13 | +16 |
| **U.S. TOTALS** | −3 | −8 | −5 | +31 | +26 | +29 | +25 | +26 | +26 |

# *ID's* QUARTERLY INFLATION INDEX

The *Silver/ID Inflation Index* rose at an annual rate of only 1.0% for the second quarter of 1984, a sharp drop from the 4.4% annual rate based on the first quarter. Of the 33 commodity groups in our index, 16 went up, 14 went down, and 3 were unchanged. In the first quarter 29 of the BLS group indexes went up and only 4 went down. However, this sharp drop is not surprising, in view of the fact that the Bureau of Labor Statistics (BLS) *Producers' Price Index* (PPI) for industrial commodities showed a similar reversal of inflation trends, as did its index of finished goods.

Paradoxically, the *NIDA/SIDA index* of 10 commodity groups, which rose at an annual rate of only 2.0% for the first quarter, rose at an annual rate of 4.8% for this second quarter. Experience suggests that these short run differences between the two indexes cancel out in the long run. Industrial safety equipment, which is not included in the *NIDA/SIDA index*, dropped 6.9% for this second quarter, an artificially high annual rate of decline of 27.6%, which tends to distort our index.

For the first six months the *Silver/ID index* rose at an annual rate of 2.6%, while the *NIDA/SIDA index* rose 3.4%. We now forecast an inflation rate of about 3.0% for 1984, but would not be surprised if turned out to be only 2.0%.

In our commentary on the first quarter inflation index (***ID***, July 1984) we predicted that the 4.4% inflation rate of our index would be sustained for the rest of the year. In the concluding paragraph of the article we pointed out how little confidence can be placed in the forecasts of even such experts as Milton Friedman and John Kenneth Galbraith because of the number of imponderables always present. We did not expect that our thesis would be so quickly vindicated by how far off our own forecast would turn out to be, based on the second quarter figures!

*Compiled by Alan Silver Associates, Inc., Highland Park, NJ*

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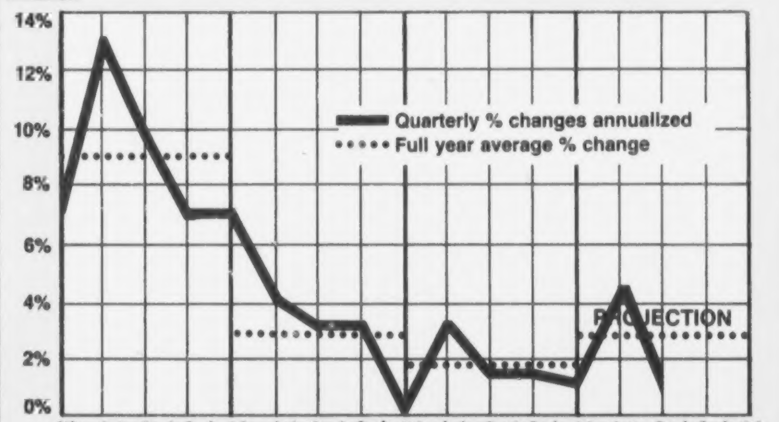
Alan Silver, author, lecturer and president of the firm bearing his name is a noted authority on LIFO, FIFO and other aspects of the legislative and financial side of inventory management. He has written countless articles for ***ID*** and other publications. They have been collected and are available as reprints. For a list of his published and unpublished articles, write Alan Silver & Associates, 168 Woodbridge Ave., Highland Park, NJ 08904 (201 572-2300).

## Table 1—Comparing inflation indexes

| | | *BLS inflation rates (%) | | |
|---|---|---|---|---|
| | Current qtr 6/84 vs 3/84 annualized | Year-to-date 6/84 vs 12/83 annualized | 6/84 vs 6/83 | 12/83 vs 12/82 |
| **Silver/*ID* index of 33 industrial product groups** | 1.0% | 2.0% | 2.1% | 2.0% |
| **NIDA/SIDA index of 10 industrial product groups** | 4.8% | 3.5% | 2.4% | 1.7% |
| ****PPI index of industrial commodities** | 2.4% | 3.4% | 2.7% | 1.1% |
| **Avg. of above indexes** | 2.7% | 3.0% | 2.4% | 1.6% |
| ****PPI index of finished goods (indl/agric)** | −0.8% | 2.8% | 2.2% | 0.7% |
| **Silver/Wholesaler index of 13 lines (plmgb/htng)** | 3.0% | 5.1% | 3.7% | 4.0% |
| **Electrical Marketing index of 24 product groups** | 5.6% | 5.6% | 3.9% | 4.2% |
| *****NAED inflation index: 16 product groups** | 3.2% | 4.8% | 4.4% | 6.6% |
| **Consumer Price index** | 4.4% | 4.8% | 4.2% | 3.8% |

*Bureau of Labor Statistics (1967 = 100)
**Producers Price index (formerly Wholesale Price index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Upcoming reports will follow the above format.

**Composite index of 33 BLS industrial price indexes**
Annualized inflation rate by quarters from 12/80 through 4/84



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# ID's QUARTERLY INFLATION INDEX

## Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

| Col. 1 | Col. 2 | Col. 3 | Col. 4 | Col. 5 | Col. 6 | Col. 7 | Col. 8 | Col. 9 | Col. 10 | Col. 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| Product category | Current qtr 6/84 | Previous qtr 3/84 | % inflation | Current qtr. annualized % | Year-to-date 6/84 vs 12/83 % | Year-to-date 6/84 vs 12/83 annualized % | Last 12 months | 4th qtr 83 | 4th qtr 82 | Annual inflation 83 % |
| **Industrial oil | 372.7 | 372.3 | 0.1 | 0.4 | 0.0 | 0.0 | 1.1 | 371.7 | 372.9 | −0.3 |
| Prepared paint | 270.8 | 267.3 | 1.3 | 5.2 | 2.2 | 4.4 | 2.2 | 264.9 | 265.1 | −0.1 |
| *Rubber belts & belting | 352.3 | 334.5 | 5.3 | 21.2 | 5.4 | 10.3 | 6.6 | 334.1 | 328.1 | 1.8 |
| Other misc. rubber products | 295.9 | 306.6 | −3.5 | −14.0 | −0.8 | −1.6 | −2.2 | 298.2 | 294.3 | 1.3 |
| Plastic construction products | 173.0 | 166.3 | 4.0 | 16.0 | 1.6 | 3.2 | 16.0 | 170.2 | 153.1 | 11.2 |
| Semi-finished steel products | 371.6 | 372.9 | −0.3 | −1.2 | 0.4 | 0.8 | 0.5 | 370.0 | 368.7 | 0.4 |
| Wire & cable | 203.4 | 204.6 | −0.6 | −2.4 | 0.9 | 1.8 | −1.0 | 201.5 | 198.1 | 1.7 |
| ****Electric wire & cable | 103.6 | 103.7 | −0.1 | −0.4 | 0.4 | 0.8 | 1.6 | 103.2 | 100.0 | 3.2 |
| ****Building wire & cable | 101.7 | 103.7 | −1.9 | −7.6 | −3.1 | −6.2 | −6.8 | 104.9 | 100.0 | 4.9 |
| Builders hardware | 296.8 | 294.8 | 0.7 | 2.8 | 2.1 | 4.2 | 3.2 | 290.7 | 272.6 | 6.6 |
| *Hand tools | 357.0 | 356.0 | 0.3 | 1.2 | 1.7 | 3.4 | 3.5 | 351.0 | 342.1 | 2.6 |
| *Misc. metal products | 294.5 | 292.7 | 0.6 | 2.4 | 1.8 | 3.6 | 2.5 | 289.3 | 288.7 | 0.2 |
| ***Industrial safety eq. | 134.2 | 134.1 | 0.1 | 0.4 | 0.5 | 1.0 | 0.8 | 133.5 | 130.6 | 2.2 |
| *Bolts, nuts, screws & rivets (fasteners) | 282.2 | 274.4 | 2.8 | 11.2 | 3.9 | 7.6 | 5.8 | 271.7 | 270.0 | 0.6 |
| *Power-drive hand tools | 221.0 | 223.0 | −0.9 | −3.6 | 0.0 | 0.0 | 0.0 | 220.9 | 221.6 | −0.3 |
| Welding machines & eq. | 281.2 | 279.0 | 0.8 | 3.2 | 2.9 | 5.8 | 3.1 | 273.2 | 273.1 | 0.04 |
| *Cutting tools & accessories | 277.9 | 278.3 | −0.1 | −0.4 | 0.8 | 1.6 | 0.7 | 275.8 | 272.1 | 1.4 |
| Precision measuring tools | 253.3 | 253.0 | 0.1 | 0.4 | 3.6 | 7.2 | 2.8 | 244.4 | 241.5 | 1.2 |
| *Abrasive products | 310.4 | 310.0 | 0.1 | 0.4 | 1.7 | 3.4 | 1.1 | 305.2 | 298.4 | 2.3 |
| Metal cutting machine tools | 383.3 | 383.6 | −0.1 | −0.4 | 1.1 | 2.2 | 1.4 | 379.3 | 372.7 | 1.8 |
| Metal forming machine tools | 424.1 | 421.1 | 0.7 | 2.8 | 0.4 | 0.8 | 2.0 | 422.6 | 411.8 | 2.6 |
| Pumps, compressors & eq. | 349.4 | 349.3 | 0.0 | 0.0 | 0.9 | 1.8 | 0.6 | 346.3 | 348.2 | −0.5 |
| Fluid power eq. | 258.7 | 257.4 | 0.5 | 2.0 | 1.7 | 3.4 | 2.1 | 254.3 | 248.9 | 2.2 |
| *Industrial material handling eq. | 288.7 | 287.6 | 0.4 | 1.6 | 0.8 | 1.6 | 1.3 | 286.5 | 286.9 | −0.1 |
| *Mechanical power transmission eq. | 323.8 | 322.9 | 0.3 | 1.2 | 1.1 | 2.2 | 2.6 | 320.4 | 312.0 | 2.7 |
| *Metal valves, (except fluid power) | 102.0 | 101.8 | 0.2 | 0.8 | 1.9 | 3.8 | 1.8 | 100.1 | 100.0 | 0.1 |
| *Metal pipe fittings | 105.6 | 106.8 | −1.1 | −4.4 | 2.2 | 4.4 | 3.9 | 103.3 | 100.0 | 3.3 |
| Ball & roller bearings | 337.9 | 338.8 | −0.3 | −1.2 | 1.4 | 2.8 | 2.2 | 333.2 | 335.3 | −0.6 |
| Plain bearings | 264.4 | 264.7 | −0.1 | −0.4 | 1.7 | 3.4 | 0.3 | 260.0 | 257.0 | 1.2 |
| Wiring devices | 356.5 | 350.5 | 1.7 | 6.8 | 4.3 | 8.6 | 5.8 | 341.9 | 327.8 | 4.3 |
| Electrical instruments | 229.1 | 229.6 | −0.2 | −0.8 | −16.6 | −33.2 | −15.7 | 274.8 | 261.9 | 4.9 |
| *****Electric motors | 104.1 | 104.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | — | 298.8 | — |
| Generators & generator sets | 101.7 | 101.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | — | 331.1 | — |
| *NIDA/SIDA composite | 304.3 | 300.7 | 1.2 | 4.8 | 1.7 | 3.4 | 2.4 | 299.1 | 294.2 | 1.7 |
| Silver/ID composite | 294.7 | 294.0 | 0.2 | 0.8 | 1.3 | 2.6 | 2.0 | 290.8 | 285.2 | 2.0 |

*Included in NIDA/SIDA composite

** 12/73=100 *** 6/78=100 **** 12/82=100 ***** 6/83=100

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